

Saturday Night

Canada's Magazine of Business and Contemporary Affairs

FEBRUARY 6TH 1960 20 CENTS



How Stock Promoters Rob the Public

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Saturday Night

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INSIDE STORY

THE COVER: Shady operators—manning the high-pressure “boiler rooms” to peddle stocks by telephone—are still giving the Canadian securities business a bad name, especially across the border. And, despite the best efforts of Provincial Securities Commissions, big-time promoters still manipulate for their own profit as against shareholder. For an examination in depth of the current situation, by SN Business Editor **R. M. Baiden**, see Pages 7 to 14.

One of the most vexing questions which will trouble the Summit Conference in May will be the eventual fate of Russia's satellite countries. Such conferences are not popular with the peoples now behind the iron curtain; they feel the West has successively abandoned them. But the free nations, says SN Contributing Editor **John Gellner**, on Page 15, must not drop the subject; especially should they concentrate on the eventual unification of Germany.

Not so long ago a curious experiment in education took place in a suburban school. Names have been altered to protect the innocent and the not-so-innocent. For the light which this throws on the problem of the gifted child, from the hitherto-neglected angle of the gifted child himself, see “The Children's Crusade” by **Mary Lowrey Ross** on Page 20.

Writing from Ottawa, SN correspondent **Edwin Copps** reports that if all its performances are as good as its premiere, the National Energy Board may stand as one of the Diefenbaker Government's best accomplishments to date. For a look at the experts who make up the Board and some of the problems before them, see Page 21.

Modern Portugal, living under a dictatorship and with one of the lowest living standards in Europe, is still a major colonial power in Africa. **James Duffy's** new book *Portuguese Africa* tells how forced labor is still the economic flywheel of the colonies and how the “past is being perpetuated into the future”. The book is reviewed on Page 23 by Rev. **Ernest Marshall Howse**.

Inept handling of Royal public relations still annoys **Beverley Nichols** who administers another slap on the wrist in his London Letter on Page 28. This time it is the Duke of Windsor's “back door” visit to Windsor Castle. He also comes up with a brand new story of what Princess Anne said out loud on her first appearance as a bridesmaid.

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Letters

Social Credit Aims

I was particularly disappointed in the article on Social Credit written for you by Professor Irving, in that I thought he threw away an excellent chance to tell us what Social Credit really means and advocates today, particularly federally, as a political party.

Of course Professor Irving repeated again Mr. Manning's general statement of Social Credit principles in relation to the four problems that face Canada—indeed, that face any capitalist system in its present stage of development. No Conservative could possibly quarrel with those. But it really does not help very much to go on and say no more than that our national problems are capable of "interpretation in terms of monetary reform".

What on earth does that phrase mean? Exactly what kind of monetary reform is advocated? There seems to be no unanimity amongst Social Crediters themselves on this. Some say that the reform needed is the placing of the Bank of Canada under the direct control of Parliament, which is meaningless since (as the Social Credit Party in Alberta knows very well) a party in power in any Assembly inevitably supports everything its Executive Council decides shall be done.

Some Social Crediters say exactly the opposite, that the average man elected to Parliament doesn't know enough to be able to manage finance, that Parliament should therefore surrender entirely control over economic policy, and that such policy should be dictated by a few experts appointed by, and from, the single party in power (naturally the Social Credit Party) alone. That is the closest approach to the Communist system of economic government that anyone in Canada has advocated for a long time.

Finally, there are the extremists in the movement, the Union of Electors in Quebec, who argue that interest and taxation are both bad (and avoidable), and that the Bank of Canada should lend money in any quantity without interest to anyone who applies for it. That, of course, would inevitably destroy our present economic system, for, if capital, when accumulated, can earn nothing, why bother to accumulate it? All these are aspects of the party that I had hoped Professor Irving would discuss.

Instead, he has done no more than repeat the rosy emotionalism of the Social

Crediters themselves, which is an interesting phenomenon in Alberta but a poor guide to any real understanding of our economic system, as it is, or to how it might be bettered. After all, even the old-line parties are constantly amending, and they hope improving, the economic system under which we live. I would have expected that a Professor of Philosophy in an Eastern University would have displayed some greater capacity for objective comment.

CALGARY

ERNEST WATKINS, M.L.A.

Indians and Schools

After 35 years living with our Western Indians as parish priest (Anglican) and school teacher, having taught school, where farming or trapping are the main sources of livelihood and taught five years in the residential school, there is truth in John T. Schmidt's article "Lo the Poor Irresponsible Lazy Indian". Mrs. Tracy has criticized the editor for its publication. It is good to publish facts.

I think Mr. Schmidt forgot the Indians here in the West were strictly nomads, which accounts for some of the things they do.

Also, as the Indians of the West have had only about 140 years contact with our so called civilization of over 1000 years, aren't we expecting too much from them to measure up to our standards? It is too soon and too much to ask for a change of nature in so short a time.

Many of our Indians find it hard to settle down to farming, for often they do not have the equipment or the means to purchase what is necessary. Here in Saskatchewan in the 30's the scheme was community farms and gardens. Thousands of dollars must have been spent for breaking and cultivating the land, the purchase of seed grain and fencing. Where are they today?

Now we have integration through the schools. This will only be possible in certain areas. Some places are so far from white settlement that it rules out integration, e.g. the area around Lake Winnipeg and Northern parts of the Western Provinces.

Indian schools have to follow the same course of studies as that of the province in which the schools are situated. It cannot be called integration if there are four or five white children and the rest Indian or Metis. In 1924 I had what today would

be called an integration school, but the white children would come to school speaking Cree.

I wonder if integration through the school is the answer to the problem. On the reserve they have the same course of studies as in the white school. They may play together, but are they asked to the homes of white people so as to get a fresh view of life? I know for a fact they are not.

I have found the Indian child has a terrific struggle to adjust himself to a white school after living on a reserve and attending a reserve school, because the atmosphere is different and he has not the background.

Because an Indian child has passed grade eight does not mean he is fit for high school. Entrance to high school should be on a scholarship basis, but not just on scholastic ability. There would then be less future in grade nine.

A few years ago the Indian children at the Prince Albert Residential School were allowed to compete in various sports e.g. soccer, softball, baseball, hockey, volleyball for both sexes. As they were fairly successful, the city schools said, No to the application to so continue. Would that help integration?

I can only count on a few more years of life, but I am willing to help them.

There have been disappointments but it has been a worthwhile job, and if I were a young man again, I would do the same thing.

All Saints School,

PRINCE ALBERT (CANON) G. J. WAITE

Language Barrier

Reference your editorial of Dec 5, 1959, under the heading "Translation is wrong". Much is made of many French speaking Canadians speaking English and few English speaking Canadians speaking French. French speaking Canadians do not learn English because they are all agog to speak the language of their fellow Canadians: the answer is "jobs". When an ambitious young French Canadian wishes to secure a job outside his own province he is faced with nine English speaking Provinces, so he learns English. On the other hand, an English speaking Canadian seeking employment outside his own province has eight other English speaking provinces to choose from.

Let's see how learning French in On-

ario, e.g., works out. One learns to speak French fluently in an English speaking centre, then you visit Quebec and you try to tell a habitant how things are in Ontario, but you can't. The things you say and the words you use do not have the same meaning to you both. You are confronted with proof that language as a means of communication is a barrier.

It is a depressing thought that people unlike in spirit can seldom reach one another. Truly *oui* and *ja* and *si* all mean yes, but never precisely the same kind of yes, nor even to the same extent or degree.

ALMONTE

CHARLES WILSON

Source Material

In the January 9 issue of SATURDAY NIGHT you credit "trade sources" for correctly forecasting the new NHA rate for housing, and in addition lean on these same resources for a look at 1960 construction.

The source material is obviously taken from the December issue of *Canadian Builder* magazine, pages 15-24. We say this for the record. Anonymous trade sources can hardly assume responsibility or take credit for something as complex as an economic forecast.

Canadian Builder B. ALFRED WARKENTIN
MONTREAL Managing Editor

The Ugly Canadian

Your correspondent, Mrs. M. Carlson, (SN Dec. 19), states that most of the CBC dramas are hammish, humorless and dull. I think that this statement does the CBC a grave injustice.

In an indulgent moment, I agreed to the family clamor for a TV set. On the two channels available to me, one Canadian and one American, I am forced to accept a never-ending advertisement campaign for some hundreds of commercial products, with interludes of the most abysmal twaddle, which I am assured is the type of entertainment the public demands. The few oases in this desert are provided by the CBC and where the drama or other feature material deals with Canadian life, or with the country itself, it is anything but "hammish and dull".

With a land offering so much of unique and vivid interest, in which every log-cabin, village and city has a stirring and fascinating story, one is baffled by the fact that the most vehement opponent, the most unrelenting critic of a rapidly developing culture, is the Canadian himself. Whence this deep-rooted inferiority complex?

GANGES, B.C.

ERIC A. ROBERTS

Sight or Sound

In spite of Mr. Graham George's high praise for the acoustics of Vancouver's Queen Elizabeth Theatre it remains a solid fact that, although fine for an orchestra, most actors cannot be heard distinctly

from the rear seats of the balcony because the auditorium is obviously far too large for any theatrical work.

Complaints were numerous when *My Fair Lady* played here recently; only those who had listened often enough to their L.P. recording of the show had any idea what the artistes were saying or singing. Even the great Katherine Cornell in *Dear Liar* was barely audible at times to those in the rear and Vincent Price could often not be heard at all, although in this latter instance it was more of a blessing than a drawback.

If huge theatres must be built in North America to cover the enormous cost of modern theatre productions, they should include sufficient booster equipment to amplify sound so that all can hear, not just the stalls. Such a system has, I understand, been recently installed in New York's St. James Theatre (*Theatre Arts* Nov. 59) with great success.

It is high time that theatregoers had an assurance that buying a ticket would guarantee them the sound as well as the sight of the actors or singers on stage.

VANCOUVER

EDWARD ROBB

Tranquilizer

Your new column on Medicine is most informative and practical. I feel the writer has succeeded in making technical information palatable to the casual reader who may have little specialized knowledge, but all the same wants to be kept informed on the latest findings in medicine.

MONTREAL

EILEEN GOODMAN

Leacock and Life

Your carping review of Dr. Curry's biography of Stephen Leacock dwells on what the writer considers to be some of its weaknesses and entirely ignores the substantial contribution the author makes to an understanding of Leacock as a person and as an author.

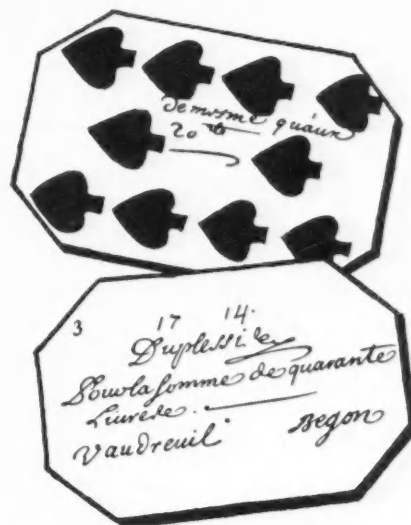
Should, as is suggested, any other admirer of "the greatest among Canadian writers" attempt to improve on Dr. Curry's book (which I don't consider to be either likely or necessary) he will have to draw on it for much of his information as to Leacock's career and attitude to life — information which he has gathered with painstaking care and which will soon be no longer available as those who furnished it will have passed away.

Moreover the likeable and enthusiastic professor from Kentucky has spent several summers cataloguing Leacock's library and reducing to order the vast quantities of documents he left behind largely as a labor of love — a service for which every Leacockonian is deeply indebted to him.

Further, as a friend of Leacock I am in a position to testify that Dr. Curry has a much deeper understanding of his personality than your reviewer manifests.

ORILLIA

C. H. HALE



Canada's First Paper Money



Because of a shortage of coin in New France, playing cards were used as money for 74 years. Beginning in 1668, cards were marked, signed by Governor Vaudreuil and Intendent Bégon and issued to soldiers and settlers as currency.

Canada's First Real Money

Canada's first real money was issued by the Bank of Montreal — Canada's first bank — when it opened its doors for business on November 3, 1817. With the passing of the Currency Act in 1841, B of M coins became recognized legal tender of Canada.



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SD269

Comment of the Day

Proper Control of Capital

THIS COUNTRY will need a lot of money in the next few years. Without it we cannot develop the power, sink the mines, build the communications and erect the factories which will make us the nation we should be. Since we are a capitalist country this money must be found from private sources, sources which will provide it in the realistic belief that profit will accrue to them in return.

The finding of this risk capital is essential, its proper use important. For if we cannot find the money privately then it will have to be found publicly, which means we shall become a socialist state.

Socialism, in other words, will take over if and when private investment ceases. You would think, therefore, that Bay Street and St. James Street would be striving mightily to avoid that end. You would think that Canadian stock exchanges were bending every effort to make the provision of capital worthwhile for those who provide it and to see that the running of the capital market was above reproach. The major article in this issue of SATURDAY NIGHT shows how far from those worthy aims the Toronto Stock Exchange is.

From the evidence adduced between Pages 7 and 14 it is clear that money raised by promoters has often gone into the pockets of promoters, not into the development of the country. It is also clear that the TSE has not been very strenuous in closing the stable door after just one horse has bolted. It even looks as though, at times, the Stock Exchange were being run exclusively for the benefit of its members, rather than for the investors whom it is supposed to serve and on whose behalf it enjoys large privileges. Perhaps the men who run the exchange have forgotten that their position is one of public trust—trust which has been notably abused on several occasions in the past few years.

However, the abuses of a system do not condemn the system. They merely call for better running of it. And it is that better running which the TSE (and other exchanges) must strive for. Specifically it must see that:

(1) All companies asking to sell stock are thoroughly vetted as to their intent and as to their connections. Companies which have people with a history of fraud-

ulent promotions on their boards are unlikely to be seriously concerned with the development of Canadian natural resources, especially when those promotions have been pushed in other countries.

(2) All companies which suddenly start active trading having been dormant for years should be re-examined as to their fitness. The present exemption clause which allows a listed security to be revived without scrutiny has done enough damage. It should be revoked.

(3) Its own double existence as a market for established stock and for new promotions should be terminated. It is all too easy for the relatively uninformed investor to be convinced that the prices of Bullmoose Copper Corp., whose shares were manufactured yesterday, are as firm and fairly arrived at as, for example, the shares of the Ford Motor Company.

(4) Its own directors take seriously their public duty of running the exchange according to the same good business practices which they expect from the directors of the companies in which they invest their money.

Such a program is only enlightened self-interest. Because if the TSE will not govern itself properly the government will have to step in and do it. Is that what some elements of the TSE want? We can't think so.

The Professional Teacher

THE TEACHER has little or no status in this country or in the United States. This is the reason why, when Sputnik went up and the Americans began to look at their schools for a sign, they found that half of them had no qualified teachers in mathematics and more than half had no one properly capable of teaching a second language.

Now, as a sober underlining of the American facts, come the findings of the Cameron Royal Commission on education in Alberta. There, although there is the beginning of a trend towards a more professional approach to training as a teacher, the fact is that all too many people in charge of the education of young minds are inadequately prepared. Says the report:

"The . . . corps of teachers is heterogeneous — including as it does a substantial number of well-qualified and truly professional persons and a greater number of partially qualified and unqualified persons, many with no professional ambitions or insights whatsoever . . . Approximately 70 percent of Alberta's teachers are women, of which 55 percent are married. Sixty-eight percent of women teachers have one year or less of training, while 12 percent have four or more years". This,



Liquid assets (still).

says the report, properly reflects the "low status of education as a profession for men".

Not, of course, that this is new. As C. E. Phillips said in his book *The Development of Education in Canada*: It has never been possible to procure an adequate supply of candidates with high qualifications for teaching, except when economic conditions have made it difficult to find employment in other fields". It must become possible though if we are to compete in the age of automation which is now upon us.

We must therefore begin immediately to make the teaching profession more attractive. To do this we must first make it a profession and not a stepping stone to marriage or a good second income for the married women. Salaries must continue to rise in most parts of the country and to keep pace where they have now become comparable to those offered by other jobs (as they have in some centres in Ontario and British Columbia).

But most of all governments themselves must investigate the means whereby they can make the teacher a genuine professional. This will include an assurance that standards will not be relaxed in the recruiting of teachers, and the promise ultimately of teachers being able, like the lawyers and doctors and engineers, to control these standards themselves.

Alberta's commission looks forward to this time when it recommends that *all* teachers, in no matter what part of the school system they are employed, should have as a "minimum requirement . . . four years of university work including a degree".

Visionary? We don't allow our children's bodies to be treated by anyone with less training. Why should we continue to allow their minds to be treated by people less competent?

Wise Saw, Modern Instance

AS WE PREDICTED, Parliament has started with some fairly sharp interchanges between the leaders of the three parties. Even during the first week of the session, Liberal leader Pearson referred back to a speech made by the Prime Minister as long ago as last August in order to call him, with suitable Parliamentary circumlocution but none the less clearly, a liar.

The real need on Parliament Hill, however, is for some hard and fresh thinking, not for name-calling. And we offer to the leaders, the Prime Minister included, a sober thought from the manual of Epictetus:

"To accuse others for one's own misfortunes is a sign of want of education; to accuse oneself shows that one's education has begun; to accuse neither oneself nor others shows that one's education is complete."

Education, not altercation, would be such a pleasant change in Ottawa.



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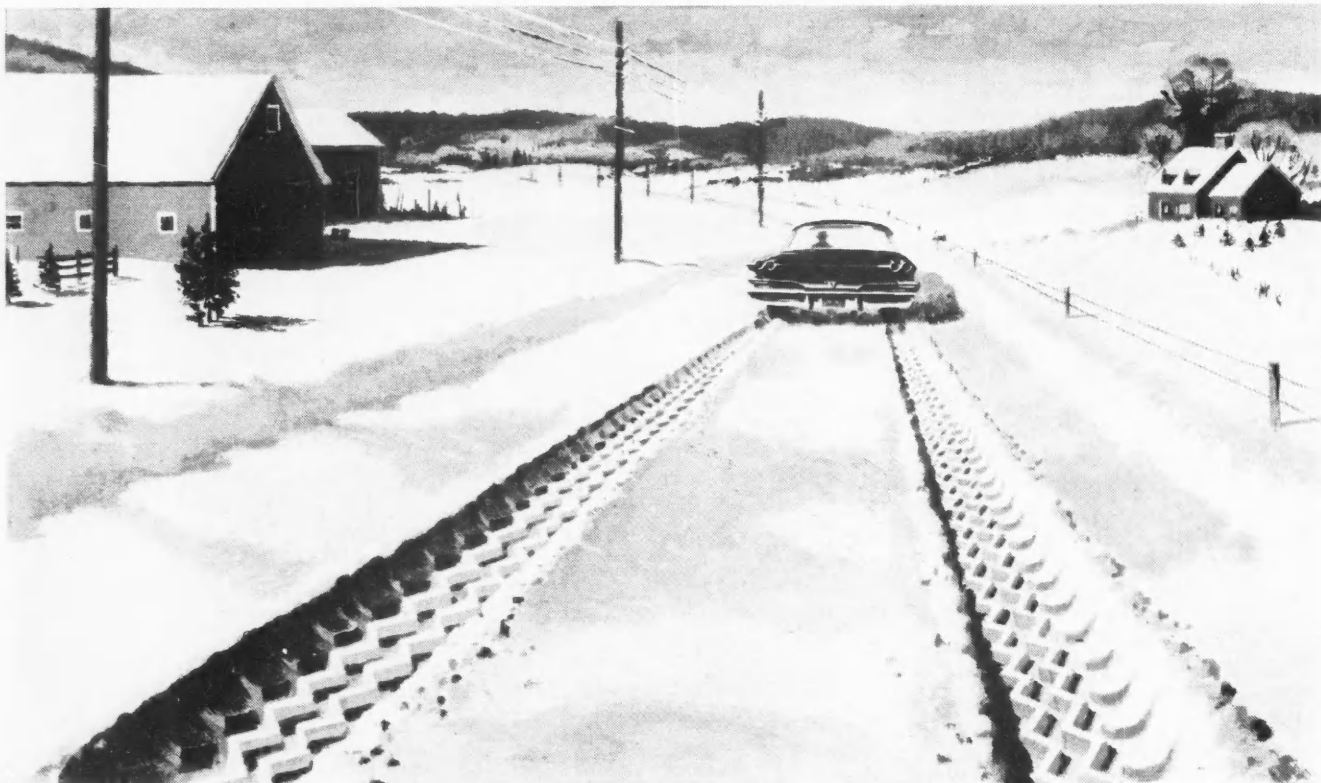
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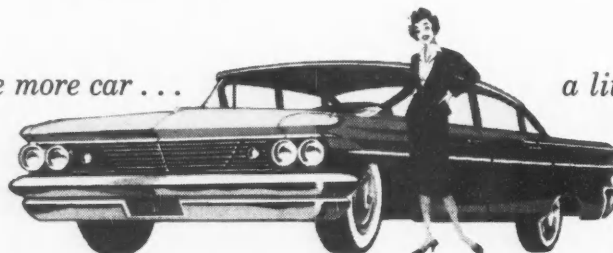


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SPECIAL REPORT

For the past year SATURDAY NIGHT has examined the operation of the Canadian securities industry, particularly the promotional, or speculative, side. It has studied in detail the operation of the industry in Ontario, a relatively mature, developed securities jurisdiction, and in Saskatchewan, a province which only recently decided to act vigorously in the face of a mounting securities problem. This, in summary, is what SATURDAY NIGHT has found.

How Stock Promoters Rob the Public

by R. M. Baiden

THERE ARE BASIC incongruities in the structure of the securities industry. For example, stock exchanges have successfully created for themselves the image of a public "institution". But in operation they are more like a private club. With the qualified exception of Quebec, there is no direct intervention in their operation by any government regulatory body. They exercise great discretionary power but for the most part are accountable only to themselves.

2. Provincial legislation to prevent securities frauds is generally adequate. But there are strong indications that in some jurisdictions the legislation is not administered with sufficient vigor. Secondly, enforcement is hampered by the very fact that the legislation is provincial, not federal. This brings difficulties when, for example, undesirable persons move from a jurisdiction where they are known—and often prohibited from working—to another jurisdiction where they are not known.

3. The structure of Canadian stock markets is such that a person who buys securities on any Canadian exchange cannot, in many cases, be sure whether he is buying primary or secondary stock.

That is, he cannot know whether the stock he buys is being pushed by a promoter at an artificial price or whether it is stock that has met the test of the market to determine its price.

4. The position of many brokers is ambiguous. They act not only as agents to the public but also as principals in deals they promote.

5. Organized international crime syndicates have operated and, it is believed, are still operating on Canadian securities markets.

SATURDAY NIGHT does not contend that these five findings explain completely the present condition of the Canadian securities industry. But it does maintain that these anomalies — in many cases they are outright abuses — must be corrected if the industry is ever to assume a valid function in Canada's economy.

There is a valid function for the speculative securities industry in Canada. But, clearly, it must be willing to accept the principle of accountability to the public more than it has yet done; it must pay more than lip-service to ethical standards and it must divorce its activities from those of a true

CONTINUED ON PAGE 10

The Strange Way th

ELSEWHERE, SATURDAY NIGHT has described the major shortcomings in the structure of the securities market. Following is an outline of the way the promotional market works. Many of the shortcomings already outlined are reflected in the market practices — in many ways abuses — here described.

Because it permits primary distribution, the Toronto Stock Exchange enjoys the dubious distinction of being the world's largest gambling stock market.

Primary distribution — or sale of shares to the public by a promoter or securities issuer—is not permitted on quality stock exchanges (such as the New York Stock Exchange) for the same reason that a bank doesn't run a lottery.

The real function of a stock exchange is to provide an open auction market for securities with sufficient distribution that prices reflect representative supply and demand. Without this general distribution, prices can be made by promoters to effect distribution. The exchange then sinks to the level of a jewelry auction dominated by shills and fast switches.

But primary distribution does provide great incentive and great opportunities to promoters to move stocks. This makes for extremely lively markets. In the case of the Toronto Stock Exchange the speed of the markets is accelerated because the primary distribution is of stocks of speculative mining and oil ventures — great news makers.

Primary-distribution issues are known in the trade as "deal" stocks.

They represent situations in which a promoter receives options on varying portions of a company's unissued capital in return for providing it with some immediate cash. While the promoter would like to see the company saddle a winner, his real interest is in the sale of stock now — at a profit. The search for minerals is merely incidental to this purpose.

The promoter tries to select properties with good showings in order to forward the sale of stock. But if the market is right, the unscrupulous promoter may come up with any excuse for a prospect.

Legitimate mining people also finance through the Toronto Stock Exchange. While they would not stoop to market hanky-panky, it must be admitted that their efforts are not conspicuously more productive of ore findings than the promoter's. For the latter, in the process of going through the motions of mining so he can sell stock, sometimes turns up a bonanza. It is impossible to draw a line between mining and promotion and for this reason the activities on the Toronto Stock Exchange are impossible to regulate unless the government steps in and repossesses its right to be the final arbiter in securities issues.

On Toronto's Bay St., the merchandising of cat-and-dog mining and oil securities via stock-market "plays" has attained the status of a skilled trade. Listing on the Toronto Stock Exchange gives a promotional stock the accolade of a seemingly spontaneous market. Actually, since the issue lacks distribution, the bids—at least initially—are almost exclusively the promoter's. His technique is not

unlike that of the art dealer who bought 50 rare vases, which had never before been on the market, sold 10 of them to himself through dummies and thereby established a price at which the entire lot moved.

Listing also publicizes an issue. Its quotation will henceforth be beamed to the public via the stock-exchange list in the daily press. People to whom it is tipped will see it quoted cheek by jowl with Bell Telephone and International Nickel. They will be left to infer that its price is of the same uncontrived nature as Bell Telephone. They will not be told that a promoter is activating the stock on the tape. Nor that it enjoys supporting bids generated by boiler rooms pushing the stock over the long-distance telephone — blower — to a sucker list with entries as far away as California.

Boiler rooms promote considerable buying orders and these filter back to exchange members. Two exchange houses were expelled for collaboration with unregistered salesmen working the blower.

As a promoter attains a following, he relies more for distribution on the general public—through the stock exchange—than on the blower boys. His technique for moving stocks improves and he learns about the psychological reactions of the public. He contrives price movements to coincide nicely with rumors of impending news development, for the circulation of which he pays. He controls the eventual release of the news because the officials of the company he is promoting are his stooges. Financial reporters mob him for news stories whose release he holds for

Toronto Market Works

maximum market impact. He complains bitterly about jurisdictions where the dating of assays is mandatory. Always he tries to create the impression that the news is so important that it is being released immediately for the benefit of all shareholders. But he may have been holding it for six months.

Both news and market activity (there is no effective means of preventing the latter from being illegal) warm up together. Like a good side-show barker, the promoter has the crowd moving to the ticket box. He can bid the stock up as long as he can sell more than he is buying. But as distribution is effected profit-taking and short-selling appear as competition for the public orders. Short selling was heretofore not encountered because stock could not be borrowed. But now since it is held for buyers in brokers' accounts, it is available at the loan post. (Now, it might be noted, promoters are agitating for more restrictions against short-selling.)

As the promoter has to absorb more stock, he reduces his supporting bids, perhaps cancels them. He may even sell short on the down trip, if he still has unexercised options at a favorable figure, a procedure forbidden by TSE regulations. But he will not exercise these options to fill his short commitments if he can buy stock for less money on the open market. There does not appear to be any check on the favored position of the promoter to play the market two ways, but the public cannot sell short on a declining market. The promoter is always assumed to be selling "long" or "option" stock. A debacle of a year or two ago was

attributed by The Street to the promoter going short against his options. The Street is not particularly shocked at this sort of thing. In fact, it expects it. It also looks for promoters to sell each other's issues short, in other words to compete for the same buyers' orders.

The foregoing is a simplified version of what goes on in greater or less degree, and with many variants. The promoter, of course, does not always succeed. Sometimes the public won't bite. Brokerage houses warn the public against particular issues. There is no more explanation for this than for the support they accord to others.

One of the tragedies that can befall a promoter is for work on a property to encounter a medium-size or marginal orebody. This can queer his pitch, since the possibilities about which he could formerly enthuse the market without limitation are now a known quantity.

Finding such an orebody can also compel the promoter to get into the mine-making business, a field for which he is frequently neither technically nor temperamentally equipped. He will probably sell or otherwise deal the orebody to an established mining organization.

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who held up good news on his property until he was able to buy back stock he had formerly let the public have. Bay St. wasn't shocked at the revelation. It likes to know when this sort of thing is happening so it can go along with the promoter for a free ride—at the public's expense.

Besides new companies in primary distribution, the exchange has listings of older companies with enough distribution of their shares for their prices to represent the consensus of supply and demand. These companies, too, finance through promoters who distribute through the exchange.

While the existence of adequate distribution reduces the chance of exploitation of the public it does not change the fact that primary distribution is not a true function of a stock exchange.

There are older companies with some stock distribution, which have never been out of the technical or directorial control of promotional elements. These are the occasion for intermittent stock market "plays". A company with a shareholding list is a desirable vehicle for a promoter since there is a good chance of interesting shareholders in adding to their holdings. The company is made to take on new exploratory bets from time to time and the shares are activated.

A company can be a lifetime source of income for a promoter. As long as the deals aren't too raw, he has a good chance of ultimately being accepted by The Street as one of the mining crowd. This, of course, won't change his rating with the real mining men, who have little fancy for Bay St.

The Strange Way th

ELSEWHERE, SATURDAY NIGHT has described the major shortcomings in the structure of the securities market. Following is an outline of the way the promotional market works. Many of the shortcomings already outlined are reflected in the market practices — in many ways abuses — here described.

Because it permits primary distribution, the Toronto Stock Exchange enjoys the dubious distinction of being the world's largest gambling stock market.

Primary distribution — or sale of shares to the public by a promoter or securities issuer—is not permitted on quality stock exchanges (such as the New York Stock Exchange) for the same reason that a bank doesn't run a lottery.

The real function of a stock exchange is to provide an open auction market for securities with sufficient distribution that prices reflect representative supply and demand. Without this general distribution, prices can be made by promoters to effect distribution. The exchange then sinks to the level of a jewelry auction dominated by shills and fast switches.

But primary distribution does provide great incentive and great opportunities to promoters to move stocks. This makes for extremely lively markets. In the case of the Toronto Stock Exchange the speed of the markets is accelerated because the primary distribution is of stocks of speculative mining and oil ventures — great news makers.

Primary-distribution issues are known in the trade as "deal" stocks.

They represent situations in which a promoter receives options on varying portions of a company's unissued capital in return for providing it with some immediate cash. While the promoter would like to see the company saddle a winner, his real interest is in the sale of stock now — at a profit. The search for minerals is merely incidental to this purpose.

The promoter tries to select properties with good showings in order to forward the sale of stock. But if the market is right, the unscrupulous promoter may come up with any excuse for a prospect.

Legitimate mining people also finance through the Toronto Stock Exchange. While they would not stoop to market hanky-panky, it must be admitted that their efforts are not conspicuously more productive of ore findings than the promoter's. For the latter, in the process of going through the motions of mining so he can sell stock, sometimes turns up a bonanza. It is impossible to draw a line between mining and promotion and for this reason the activities on the Toronto Stock Exchange are impossible to regulate unless the government steps in and repossesses its right to be the final arbiter in securities issues.

On Toronto's Bay St., the merchandising of cat-and-dog mining and oil securities via stock-market "plays" has attained the status of a skilled trade. Listing on the Toronto Stock Exchange gives a promotional stock the accolade of a seemingly spontaneous market. Actually, since the issue lacks distribution, the bids—at least initially—are almost exclusively the promoter's. His technique is not

unlike that of the art dealer who bought 50 rare vases, which had never before been on the market, sold 10 of them to himself through dummies and thereby established a price at which the entire lot moved.

Listing also publicizes an issue. Its quotation will henceforth be beamed to the public via the stock-exchange list in the daily press. People to whom it is tipped will see it quoted cheek by jowl with Bell Telephone and International Nickel. They will be left to infer that its price is of the same uncontrived nature as Bell Telephone. They will not be told that a promoter is activating the stock on the tape. Nor that it enjoys supporting bids generated by boiler rooms pushing the stock over the long-distance telephone — blower — to a sucker list with entries as far away as California.

Boiler rooms promote considerable buying orders and these filter back to exchange members. Two exchange houses were expelled for collaboration with unregistered salesmen working the blower.

As a promoter attains a following, he relies more for distribution on the general public—through the stock exchange—than on the blower boys. His technique for moving stocks improves and he learns about the psychological reactions of the public. He contrives price movements to coincide nicely with rumors of impending news development, for the circulation of which he pays. He controls the eventual release of the news because the officials of the company he is promoting are his stooges. Financial reporters mob him for news stories whose release he holds for

Toronto Market Works

maximum market impact. He complains bitterly about jurisdictions where the dating of assays is mandatory. Always he tries to create the impression that the news is so important that it is being released immediately for the benefit of all shareholders. But he may have been holding it for six months.

Both news and market activity (there is no effective means of preventing the latter from being illegal) warm up together. Like a good side-show barker, the promoter has the crowd moving to the ticket box. He can bid the stock up as long as he can sell more than he is buying. But as distribution is effected profit-taking and short-selling appear as competition for the public orders. Short selling was heretofore not encountered because stock could not be borrowed. But now since it is held for buyers in brokers' accounts, it is available at the loan post. (Now, it might be noted, promoters are agitating for more restrictions against short-selling.)

As the promoter has to absorb more stock, he reduces his supporting bids, perhaps cancels them. He may even sell short on the down trip, if he still has unexercised options at a favorable figure, a procedure forbidden by TSE regulations. But he will not exercise these options to fill his short commitments if he can buy stock for less money on the open market. There does not appear to be any check on the favored position of the promoter to play the market two ways, but the public cannot sell short on a declining market. The promoter is always assumed to be selling "long" or "option" stock. A debacle of a year or two ago was

attributed by The Street to the promoter going short against his options. The Street is not particularly shocked at this sort of thing. In fact, it expects it. It also looks for promoters to sell each other's issues short, in other words to compete for the same buyers' orders.

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New York Stock Exchange is prime example of well run secondary market.

CONTINUED FROM PAGE 7
stock exchange — which is nothing more than a place where buyers and sellers can meet to trade in stock whose market value has been or can be clearly determined. [see pages 8-9]

Our stock markets have never commanded the respect of foreign investors, although we did attract their capital. Now, however, we face strong competition for foreign capital — Europe, for example — and our stock markets, derided as "lotteries" by foreign investors, are not attractive to them (nor indeed to a growing number of Canadians). Many Canadian market speculators and investors prefer to deal in the New York market.

But the truly alarming aspect of the securities industry today is that there seems to be growing pressure — from certain of its own members — to revert to the old free-wheeling, the-sky's-the-limit days of a few years ago. In short, there is pressure now for the stock market to again create conditions whereby brokers and promoters can manufacture stock in wholesale batches, retail it through stock exchanges, notably the Toronto exchange, with the aid of as many high-pressure and otherwise unethical selling techniques as possible. The main purpose of this will not be to develop this country's natural resources but simply to provide some promoters with an income as it has done before. In effect, then, there is growing pressure to move back the clock in the securities business.

To understand the significance of this drive, it is necessary to remember that it is only about 10 years since Ontario moved in earnest against discreditable securities operations. In that decade, the Ontario Securities Commission has conducted some 200 investigations which have resulted in disciplinary action — such as

suspension or cancellation of licences — against stock brokers, broker-dealers, stock salesmen, securities advisers, investment counsels and security issuers.

It was also the decade which saw seven member brokerage firms of the Toronto Stock Exchange either put out of business, fail or be severely disciplined: Picard and Fleming; Scarr, Tinkham; Rittenhouse; Savard and Hart; Barrett, Seguin; E. T. Lynch; Doherty, Roadhouse. It was the decade that saw the scandals of Pontiac Petroleums, Morrison Brass, Great Sweet Grass Oils, Aconic Mining, Brilund Mines, Burchell Lake Mines, Mica Co., Cabanga Developments, Canadian All Metals Explorations.

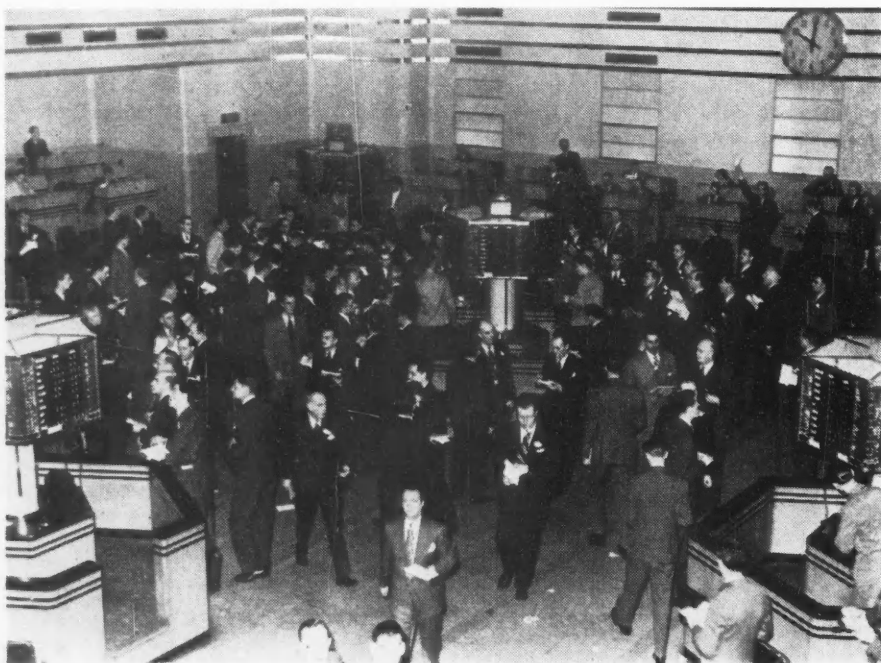
Indeed, the catalogue of skulduggery

in Ontario securities during the decade is breathtaking. By the same token, the efforts of securities investigation and prosecution have been slow and painstaking. Hampered by nonco-operation, and in some cases outright opposition, by some in the securities business, the Ontario Securities Commission has seen market frauds progress from the crudest form of swindle to the most involved, complicated international operation.

The classic example of this latter category is Pontiac Petroleums Ltd. This case [see box for details] involved a contract between Pontiac, a public company, and a private company. The contract obligated Pontiac to carry out oil drilling operations in Israel for the private company which could only result in financial ruin for Pontiac. This contract was in existence at the time Pontiac applied for listing on the Toronto Stock Exchange. And the exchange permitted the obviously inequitable contract to pass without batting an eye. Pontiac is, in many ways, typical of what O. E. Lennox, chairman of the OSC, describes as "the activities of fraudulent operators outside the jurisdiction getting control of Ontario companies having substantial liquid assets and syphoning off these assets through friendly im-provident acquisitions."

There are other important points, too. One is that highly respected persons have sometimes acted, even unwittingly, as "fronts" for persons who may charitably be described as undesirable. The Pontiac investigation report also shows that some of the people associated with the principals of that operation — and perhaps some of the same interests — are still in the securities business in Canada. One, in particular, now operates on the west coast.

The most important characteristic of



Toronto's mixture of trading, promotion often masks unsavory deals.

the Pontiac deal is that it was organized from the top down. It didn't just grow; it had to be planned carefully by men who knew the business. This is the sort of pattern that might be expected in a securities jurisdiction such as Ontario — a major stock exchange, a big market and a highly organized industry.

What is thoroughly chilling, however, is to discover the same characteristic in a relatively undeveloped securities jurisdiction such as Saskatchewan. Saskatchewan has no stock exchange and its securities industry might, to a casual observer, seem only loosely organized and irregularly developed. It is, for instance, a province which only recently found it necessary to tackle securities problems as an important aspect of law enforcement. Until quite recently it considered its problems to be local and, although pernicious, relatively minor. It has since learned differently.

When Saskatchewan decided about a year ago that the time had indeed come to clean up its securities industry, it hired Walter Cameron, then chief counsel for the Ontario Securities Commission, as chairman of the Saskatchewan Securities Commission. Cameron, who had been the investigating counsel on the Pontiac scandal, was well fitted for the job.

True, Cameron found a good deal of fairly primitive stock swindling. But he also discovered that the securities business in Saskatchewan bore remarkable similarities to what he had experienced in Ontario.

This was brought home to Cameron when he investigated one company and found that it promoted and sold a speculative issue through salesmen who falsely claimed that:

1. The stock was going to be listed on a stock exchange (sometimes it was the New York Exchange, sometimes the Toronto Exchange — neither exchange had heard of the issue.)

2. If the purchaser of stock decided he didn't want to keep the stock, he could get his money back.

3. A major U.S. manufacturing concern was interested in the stock.

But what Cameron also found was that his investigation into this company seemed to affect interests other than might have been expected. This was pointed up when Cameron received a letter from a lawyer suggesting it would be in the best interests of the Commission to co-operate with the promoter and co-owner of the company, a man subsequently convicted of offences under the Saskatchewan Securities Act. These offences were committed during the promotion defended in the letter. [see box]

This same letter suggests that all Saskatchewan brokers might find it in their interest to move to another jurisdiction, in this case Ontario. This, in turn, raises the question of a securities operator being declared *persona non grata* in one

The Pontiac Affair

THE PONTIAC PETROLEUMS Ltd. scandal was a cleverly conceived and expertly executed device to separate the investing public from several millions of dollars.

This is how it worked. Pontiac Petroleum Ltd., a public company with oil drilling experience and equipment, was "captured" by a promotional group. This group also controlled a private company which was then little more than a corporate shell — its only asset was an oil drilling concession in Israel.

The promotional group caused an agreement to be signed between Pontiac and the private company that obligated Pontiac to drill 20 wells in Israel to a depth of 15,000 feet (or until commercial production was encountered) without recovering any money for this drilling regardless of the success or failure of the attempt to find oil. In no case would Pontiac own any share of the actual oil production. In short, Pontiac obligated itself to lose anywhere up to \$20 millions while the private company risked only the \$20,000 it had paid in licence fees to the state of Israel. It should be mentioned here that even that \$20,000 had been advanced to the private company by Pontiac.

The result of this contract — had the Pontiac promotion been permitted to run its course — would have been that only after commercial production in Israel had produced a net profit of around \$12 millions would Pontiac earn its first dollar in Israel. Drilling costs, it should be noted, were not made a claim against the

gross proceeds from oil production under the contract.

There was only one way for Pontiac to raise the money necessary to meet these obligations: through sale of its shares to the investing public. This was accomplished by having Pontiac listed on the Toronto Stock Exchange and the stock sold by high-pressure means to as many people as the salesmen could reach. Ultimately, Pontiac was delisted from the stock exchange and the offending brokerage firm of Rittenhouse and Co. had its licence cancelled by the Ontario Securities Commission. But not before a great many investors lost a great deal of money.

Three important points emerged from the Pontiac affair.

1. There was no pooling or escrow agreement imposed by the TSE. This permitted the stock's promoters to run a high, wide and handsome market and sell large amounts of their own low-priced stock to the public at greatly inflated prices.

2. The TSE permitted the Pontiac listing despite an obviously inequitable contract with a private company and further, the TSE did not make this contract the subject of any inquiry.

3. The economic situation of Pontiac, as shown in the company's own financial statement, may well have been unsatisfactory for listing.

The fact is, however, that the TSE not only accepted the Pontiac listing statement, but was to all appearances a disinterested by-stander as the Pontiac promoters ran their deal.

jurisdiction and then simply moving to another province and setting up shop again. This does happen, as the following example shows.

In April of 1952 the Ontario Securities Commission cancelled the licence of a broker-dealer firm named Malvern Trading Corp. Ltd. on grounds of boiler-shop high-pressure selling and the use of an unlicensed salesman. Co-owner of Malvern was George Caldough. At the time of writing the same George Caldough operates the Vancouver investment counselling firm of Great Northwest Investments Ltd. that has been actively promoting a stock named Eagle Plains Development Ltd. Listed as president of Eagle Plains is George Woodall. George Woodall is George Caldough's real name.

In recent weeks, RCMP officers have seized Caldough's books and records. This

action followed scores of inquiries about both companies by U.S. citizens to the Vancouver Better Business Bureau, the B.C. Chamber of Mines and to securities officials in the U.S.

It would be incorrect to conclude that every highly organized attempt to defraud the investing public is part of syndicated crime, but it is true that in recent years securities investigators and Securities Commissions have seen associations leading to several well-known Mafia-directed operations. Recent investigations and subsequent prosecutions, currently *sub judice*, have underlined the complicated international character of many offences.

In summary, then, securities frauds in Canada still exist at the "grass roots" level of fly-by-night petty swindlers and at the more sophisticated — and equally

infamous — level of the boiler-room operator. But a new dimension has been added: the highly complicated, skillful organization and manipulation of markets on an international basis.

For example, securities investigators feel confident — but are unable to prove — that special salesmen are placed in some brokerage houses for the specific purpose of selling syndicate "deals". Again, prosecutions of securities frauds controlled by syndicate operation are notable both for the length of time they involve and for the calibre of legal talent the syndicate is able to provide. This, of course, leaves open the question of to what extent some highly respected lawyers and legal firms have been involved in the success of fraudulent securities operations. As Cameron says, "the principle of advocacy is greatly abused."

But if some lawyers abuse the principle of advocacy in securities dealings and if members of the securities industry are not mindful of their public responsibility, there are many men in both categories of high integrity who are. Still, it is fair to assume that if there had been no securities commissions not only would

malfeasance of the types already outlined have gone undetected, but it would have been much more prevalent — and profitable — than it now is.

But the real question, of course, is whether the limitations, and in some cases inadequacies of present legislation permit sufficient, effective policing of the securities industry.

That there are inadequacies and limitations is not a matter of general agreement. In fact, there is a sharp division among securities administrators on this very point. The differences are personified in the divergent views of Lennox, chairman of the Ontario commission, and Cameron, chairman of the Saskatchewan commission.

Cameron, a young, vigorous crusader with a touch of the Puritan, believes there is still a great deal of preventable fraud in the Canadian securities industry. Specifically, he advocates federal securities legislation, locally administered, to replace present provincial legislation and removal from stock exchanges of the right to authorize primary distribution of listed issues without prior clearance by a securities commission. (On this second

point he finds support in Quebec province which, in February, 1956, deleted the exempt provisions of the Quebec Securities Act and required all primary distribution to be cleared by the Quebec Securities Commission.)

Lennox is a man who has achieved remarkable success in three separate careers: the army, which he joined in 1914, served in the ranks, rose to lieutenant, was wounded three times and decorated with the Military Cross; law, where he rose to Master of the Supreme Court of Ontario; and finally to a position of pre-eminence in securities administration as chairman of the Ontario commission.

Lennox, in fact, has been the main shaping force in Canadian securities administration. It has not been an easy, or simple task.

"When I took over in 1948," Lennox says, "If we had taken drastic disciplinary action in the case of every irregularity brought to our notice, promotional activity in speculative issues would have been halved. It was a bad situation then and I worked on the basis of chipping away steadily at the worst offences and with the thought in mind that I could

What the Lawyer Wrote to Cameron . . .

FOLLOWING ARE EXCERPTS from a letter written by a Saskatchewan lawyer to W. W. Cameron, chairman of the Saskatchewan Securities Commission. This lawyer who, in addition to his law practice, was an active participant in the securities industry, suggests that Cameron should co-operate with Saskatchewan promoters.

"This much can and should be said—that . . . promoted a company that has done exploration and development work in Sask. of a serious and valuable kind—that every shareholder was fairly treated—that the company's affairs were fairly and honestly administered—and that the company today is in good standing in every way. Practically all of the company's 3,000-odd shareholders reside in Saskatchewan. The company's meetings are well attended and generally we can say that this company has been and is an organization whose directors have been zealous to protect and advance the interests of the shareholders.

"(He) has recently been considering the raising of further finances either for . . . or for an associated company. . . —a new company which might be formed to acquire new properties—possibly a gas permit in Saskatchewan. He is concerned, however, with the prospect

of being harried, directly or indirectly, by prosecutions of the nature of . . . with which case you are doubtless familiar. If this is the prospect he faces, he is not inclined, (quite naturally) to invest further sums in acquiring properties, incorporating companies or promoting finances. If, on the other hand, he could feel that the Commission (namely *you*) were of a mind to co-operate with him in his future activities, he would naturally feel confident enough in the future to proceed with further development and promotional work in Saskatchewan.

"Now it is interesting, Wally, to consider the Securities situation in Saskatchewan in comparison with the conditions obtaining, say in Ontario. At the Canadian Bar Meeting in Montebello early this month, and during my very brief stop in . . . I had an opportunity to discuss the securities 'climate' in Ontario with lawyers active in this field. I think I can sum up the situation by saying that the recession of a year ago has passed, and promotions are going ahead at a rapid pace with the help and blessings of Mr. Lennox and the Ontario Securities' Commission. The facts are well-known and the result is simply this: The brokers who have operated in Saskatchewan now feel it is in their interest to move their operations to

Ontario and at the same time, there appears no inclination on the part of Ontario brokers to leave the happy clime of Ontario for the uncertainties of a new jurisdiction.

"I mention this specifically since (he) has indicated his intention to set up operations in Ontario in preference to Saskatchewan . . . As a Saskatchewan citizen by birth he would in many ways prefer to remain in this province. But with blandishments of this sort of large operation which is possible in Ontario without headache or uncertainty, one can understand why a move to Ontario may seem attractive to (him). Another of our clients made such a move six or eight months ago. While Saskatchewan brokers have stagnated, the group has prospered in Ontario.

"Now, we are interested in keeping (him) operating in Saskatchewan . . . because we are convinced he is one of the best, most effective and most honest brokers and promoters in the field. He has done useful service in the province and the loss of the promotional energies of this man would, in our view, be unfortunate."

Investigation by Cameron of this particular promoter's activities, however, resulted in a number of charges under the Saskatchewan Securities Act and subsequent convictions.



O. E. Lennox: the steady approach.

make it too expensive and too difficult for these people to operate as they had been doing."

What Lennox felt, then, was that in the situation he took over, a new broom policy would have closed down the industry. And Lennox feels strongly that the securities industry is vital to the Canadian economic philosophy. He also thinks that by and large the situation is well in hand. He does not want to interfere with the authority of the Toronto Stock Exchange to regulate its own members any more than he finds absolutely necessary. He thinks the TSE is doing a satisfactory job of policing. On the matter of federal legislation, he does not subscribe to the theory that such a move would be in the best interests of Canada. He is a believer in the slow, steady pressure principle.

Cameron, whose experience has been exclusively in the field of securities legislation enforcement—and almost all of that experience serving under Lennox in Ontario—holds diametrically opposed views. A clear Canadian counterpart of the U.S. image of the "fighting D.A.", Cameron prosecutes ruthlessly, grants no concessions not in accordance with the letter of the law and is indefatigable in his pursuit of malefactors. Few—if any—securities operators can boast of getting the better of Wally Cameron.

Oddly, both men have the ability to inspire great personal loyalty and affection. Lennox's staff regard him with respect that, at times, borders on adoration. Cameron, on the other hand, was able to attract two men from the Ontario commission's staff to join him in Regina when he took over the Saskatchewan commission. Between these two men, now, however, there exists a chasm dug by Cameron's zeal and criticism of the Ontario Commission and Lennox's dismay and resentment at criticism he feels to be unfair and unwarranted. Lennox for some time had considered Cameron—who actually outranked Lennox in years of experience in securities enforcement—as his probable successor.

These are Cameron's views on the two reforms he considers basic to efficient securities legislation enforcement as outlined to the annual convention of The Canadian Bar Association in Vancouver last summer:

"The most important handicap . . . which confronts provincial securities commissions . . . is . . . the barriers created by provincial boundaries.

"It might very reasonably be suggested that the obvious solution would have been to seek joint investigation in that other province (where an investigation, originated in one Canadian province, leads into a second). However . . . the best of intentions to give investigatory assistance cannot be effective except in a province with a strong and highly experienced enforcement staff. Some provinces are economically limited to one part-time administrator, who cannot hope to enforce effectively even within his own jurisdiction, to say nothing of handling investigations on behalf of other provinces needing help within his jurisdiction.

"Moreover, even where the second jurisdiction has adequate enforcement machinery, and is thus both able and willing to participate . . . in practise, in my experience, this procedure is clumsy and quite impractical, since complete familiarity with the facts is a condition precedent to effective interrogations and to further investigation . . . it is simply not possible . . . to impart a detailed knowledge of the facts in a major securities investigation once it is out of its early stages. It can be done neither by writing to another province . . . nor . . . by sending a body there to brief them. The body has to go there and carry out the investigation, a procedure for which there is no lawful foundation under our present system where each province is self-contained in its enforcement."

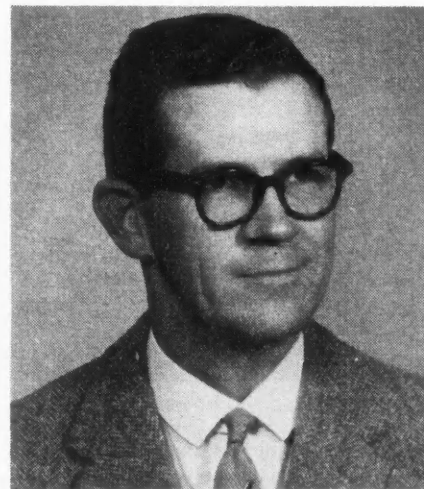
Cameron goes on to make the points that provincial boundaries enable malefactors to move from province to province "and to obtain registration repeatedly in various Canadian provinces"; that "there are fundamental differences in policy among . . . provincial commissioners . . . which can be injurious to the investing public" (Ontario, for example, does not limit the markup at which primary stock may be sold under some conditions); that in one Canadian province (it applies to Ontario) "an organized group of speculative brokerage houses fixes the markup its members may make"; and finally, that a commission "even where it happens to be aware of the fact that another provincial commission has an illuminating file on a given person or company, cannot routinely obtain unlimited access to that information. Moreover, one Commissioner may not even know of the existence of such a file in the offices of another commission . . . it might be worth pointing out

that one limitation upon dissemination of information is imposed by the laws of libel and slander."

On his second contention—that stock exchanges should be divested of their power to authorize primary distribution of listed issues—Cameron said:

"A very, very major function of all of our Canadian stock exchanges is primary financing of corporate treasuries and the stock exchange member house, which is commonly called the feedbag, has the function of achieving the distribution of the stock to the investing public and channelling their money straight into the corporate treasuries, subject to any diversions to the promoter's pockets, and since I am dealing now, as I stated at the beginning, with the illegitimate or *male fide* side of the securities industry, it is the problem of the money being channelled into promotional pockets rather than into treasuries that I am concerned with.

"This special exemption for listed issues . . . excuses (the company) from filing a prospectus with the securities commission . . . (it) . . . excuses delivery of



W. W. Cameron: a touch of the Puritan.

a prospectus to the potential investor . . . (and) . . . it wholly removes listed issues from the rule of law, and empowers private organizations, through their officers, to substitute individual and personal discretions for the legal standards and legal discretions which are imposed by our legislators upon companies not in the happy position of being able to obtain listing and then to make their primary distribution through a recognized stock exchange."

Cameron then discussed his experience in Ontario and—although he did not name the company, it is clear he was talking of Pontiac Petroleum—he said.

In reporting upon the investigation in question, I described the listing statement as one which disclosed unconscionability of consideration to the promotional group right upon its face, while examination of certain very material contracts made it

obvious that the stock exchange listing committee, when making the decision to list the oil exploration company, had failed to apply any such standards as those which the Ontario Securities Commission would have been compelled by legislation to apply to the issue had the company been obliged to offer a prospectus for filing with the Ontario Securities Commission.

"In submitting that all of our Canadian stock exchanges should be deprived of their power to approve issues for sale to the public in primary financing—and I do emphasize, I am talking only about primary distribution to the public for primary financing of treasury, not at all to the function of the stock exchange acting as a marketplace where John Doe sells his stock and Bill Smith buys it—in making my submission, then, that they should be deprived of their power to approve issues for sale to the public on primary financing, I wish to emphasize

invoked the power of the Ontario Securities Commission to impose its regulations on the Toronto Stock Exchange, TSE members say he has threatened to do so. (Lennox himself insists "threatened" is too strong a term.) In either event, it was only after the scandals of Picard and Fleming, Pontiac and Rittenhouse that the exchange acted to clean house. Finally, it was pressure from Lennox that brought about an attempt, begun early in 1958, to tighten the free-and-easy exchange approach to the matter of public responsibility. It is this program which now shows signs of becoming unstuck.

To understand the significance of this it is necessary to retrace a bit of recent stock exchange history.

When Lennox cancelled the licence of the Toronto Stock Exchange member firm of Picard and Fleming in 1953 he set out this doctrine of accountability:

"... We are not dealing with ordinary litigants, but with individuals who have

not been entirely satisfactory. Can-Erin, a company not exempted from completing a "full, true and plain disclosure" questionnaire, simply did not bother to list a management contract it made with Trans-Ocean Management and Exploration Ltd. The contract called for Can-Erin to pay Trans-Ocean \$60,000 a year and was signed in August, 1956 — more than three years before it was brought to light.

There are growing signs that this reform movement has lost a great deal of momentum and is being supplanted by a mounting hunger for promotional deals. Within recent weeks, for example, the TSE has acknowledged that it is taking a fresh look at speculative stocks — with a view to encouraging primary financing of mining and oil ventures and trading in these speculative stocks.

This situation is quite literally loaded with explosive possibilities, especially if it means that the TSE is beginning to work towards a return of the roaring penny market of a few years ago.

This does not mean, of course, that all promotional deals are simply devices to line promoter's pockets. But the record of promotional deals resulting in dividend-paying companies is scarcely encouraging.

By the same token, the long history of stock market skulduggery should chill the most sanguine of investors. Nor, despite the efforts of many honorable, sincere men, can the total effort of securities policing and regulation be considered comforting.

For the fact is that the securities industry in Canada is a huge business. (The combined monthly volume of transactions of the Toronto, Montreal and Canadian exchanges ranges to more than \$200 million.)

Another aspect of market organization that is often not fully appreciated is the tremendously extensive distribution—stock selling—system the securities industry has built up. A recent survey of TSE member houses showed that 53 members maintained wire connections between Toronto and outside points. In many cases, these "outside points" reached to the west coast and into the U.S. Monthly payments for wire connections ran as high as \$19,000. Payments of \$1,000-\$3,000 a month were common. The point, of course, is that promotional houses in Toronto can cover every important population centre in Canada. They can push the same speculative security in a dozen different Canadian cities at the same time.

Are there, then, adequate safeguards to protect the public interest in the face of the evident build-up by promoters and their vast organization to carry out their promotions? In the opinion of SATURDAY NIGHT, and for the reasons already stated, there are not, and investors right across Canada should be aware of this.



Rapid recent swing to electronic equipment increases efficiency.

the fact that the persons charged with the listing decisions are members of brokerage houses which profit from the resultant stock selling.

"It is my contention that the fundamental concept that he who sits in judgment should be an utterly disinterested party is outraged by the special exemption for listed issues."

While Lennox repudiates the broadside attacks of Cameron, he has continued his campaign of steady pressure. He has recently, for example, served notice that "the time may come when the exemption permitting trading between issuing companies and underwriters and optionees will be repealed, and the field will be exclusively occupied by registered dealers eliminating non-registrants from direct wholesale participation in public financing."

This is Lennox's attack against persons acting merely as "fronts" for characters who would otherwise be denied any place in the securities industry.

Then, too, although Lennox has never

been granted a licence, a privilege to trade with the public and who are expected to give an account of their dealings and preserve material records in their own as well as in the public interest."

By the end of 1957, with the support of Lennox, the TSE enunciated a program applying "full, true and plain disclosure" to TSE deals. In effect, this would require a company planning a material change in its affairs to complete a special exchange questionnaire designed to reveal the pertinent facts of the proposed change. A major drawback of this reform, however, was that the requirement to meet the test of "full, true and plain disclosure" was not applied to all companies. The exchange exempted some 750 of its 1,100 listed companies from the requirement — and did not reveal to the public which companies had been exempted.

This procedure undoubtedly did tend to cut down the incidence of misrepresentation and concealment. But as the recent case of Can-Erin Mines has shown, it has

The Summit and the Satellites

by John Gellner

Failure of the West to take advantage of the 1953 uprising in East Germany remains in the eyes of the satellite countries a monument to political ineptitude.



IN THE COURSE of a recent interview, Sir Anthony Eden was asked what he thought our policy should be toward the Soviet satellites in Central and Eastern Europe. "As we can not help them", Eden replied, "we should at least do nothing that would make their position worse than it already is". This is wise counsel which, it may be hoped, the Western leaders will heed when, next May, they sit down at the conference table with the redoubtable Mr. Khrushchov.

Summit conferences are in very bad odor behind the Iron Curtain — on previous "summits", the Western powers had the unfortunate inclination to barter away the interests of their friends, not through ill will, but because of an all too pragmatic approach to the political problems of the day.

The two worst examples of this are Munich and Yalta. The former, in 1938, was a European "summit": Great Britain, France, Germany and Italy attended. It was undoubtedly Chamberlain's honest belief—whether the same can be said about Daladier is open to much doubt—that if only the Sudeten Germans were allowed to unite with their brethren in the "Reich", all would be well, for the world and for Czechoslovakia (which was not consulted). So an agreement was made which, though it looked harsh, was to be in Czechoslovakia's best interest, but which in fact doomed her to destruction.

In Yalta, which was a world "summit", the United States, the Soviet Union and Great Britain similarly decided the fate of Poland without hearing the Poles. This was some six years after Munich, and this

time the Western statesmen did have the uneasy feeling that perhaps they were not doing the best they could for Poland — Roosevelt said as much to Admiral Leahy, as the latter recalls in his memoirs — but this did not stop them from making a free present to Stalin of that unfortunate country. Their reasoning was simply that the arrangement they were making was unavoidable, as the Russians were in physical occupation, and thus could call the tune in Poland, anyway.

Nothing that has occurred subsequent to Munich and Yalta has encouraged the peoples of Central and Eastern Europe to entrust their future, or any part of it, to the statesmanship of the leaders of the West. It would be a waste of time to recall the sins of commission and omission in the Eastern European policies of the Western democracies. One instance must, however, be cited because it still stands as a monument to political ineptitude in the eyes of the peoples of the satellite countries: the failure of the West to take advantage of the rising in East Germany, in June, 1953.

The revolt had been timed to perfection: A presidential election in the United States had just been won by the party which, in foreign affairs, had loudly denounced Truman's policy of "containment" of the Soviet Union, and had enunciated instead a bold policy of "liberation" of the peoples under Moscow's yoke. In January 1953, Mr. Eisenhower had become President. Mr. Dulles, the high priest of the creed of "liberation", was Secretary of State. And as if Providence had wanted to help the Republicans to make good their

election promise, Stalin, the terrible old tyrant, had died in March 1953.

In the Kremlin, the heirs were fighting for the succession. This deadly internecine struggle reached its climax in mid-June when the Malenkov group, in an unprecedented move, called in the Red Army to crush a segment of the Party, Beria and his followers. The issue was very much in doubt. Tanks were jangling in the streets of Moscow. It looked for a few days as if civil war might break out between the troops on one side and Beria's heavily armed police forces on the other.

In these for them so auspicious circumstances, the East Germans rose on June 17th, 1953. At first, the Soviets actually hesitated. Only when they saw that there would be no intervention from across the zonal boundaries (by the Allies, as West Germany was then still disarmed), did they step in and suppress the revolt. It is widely believed that they would have swallowed an Allied occupation of East Germany rather than get entangled abroad while things were topsy-turvy at home.

At any rate, the unexpected inactivity of the Allies in June, 1953, of the Americans above all who had just been shouting the doctrine of "liberation" from the rooftops, made a much deeper impression in the satellite countries than our subsequent "do-nothing" policy during the Hungarian Revolution of 1956. By then everybody knew that the policy of "liberation" had been still-born, that it was a mere election slogan which the peoples of Central and Eastern Europe had been naive to take seriously. Further, Soviet power had obviously been so consolidated

by this time as to make an energetic intervention in Hungary on the part of the West — politically some help could have been given to the Imre Nagy government — utterly unthinkable.

We can say, then, that by now the peoples in the satellite countries have lost all hope of real help from the West in their attempts to free themselves from the colonial shackles in which the Soviet Union is holding them. Even so, these attempts are still being made — and in the last years they had a modicum of success, here and there, not because Moscow is mellowing, but because the pressure toward emancipation is growing stronger.

George Kennan once said that there is "a finality, for better or worse, about what has happened in Eastern Europe". That is quite wrong; George Kennan's words merely prove that even one of the greatest experts on Eastern European affairs could be taken by surprise by what happened in Poland and Hungary in the Fall of 1956. In fact — the quotation is from Flora Lewis' remarkable book, *A Case History of Hope* — in Eastern Europe "the question is no longer: will there be a change? The whole meaning of these last years is that change cannot be averted. The question is how: in peace or in violence?"

It is clearly in the interest of the West that a change should come, for it would mean a breaking-up of the Soviet colonial empire. The danger is that the West could impede this change, conceivably even at the next summit conference. We could impede it by formally recognizing the status quo in the Soviet-dominated parts of Central and Eastern Europe.

The Soviet Union is trying hard to have the territorial conditions and political relationships in that region "legalized" by a treaty to which the Western powers would be a party. In such a treaty the West would be made to give its blessing to the division of Germany, the Oder-Neisse frontier between the latter and Poland, the tyrannical regimes in, and the vast rearmament of, Hungary, Bulgaria and Rumania, all in defiance of the peace treaties, and to the other props of Soviet power in the satellites.

To achieve this end is of the utmost importance to the Soviet Union. Yugoslav political leaders, who should be able to recognize Moscow's real intentions much better than we can, pointed out, for instance, during the height of the Berlin crisis, in the winter of 1958/59, that the Russians would gladly leave West Berlin alone in exchange for the recognition by the Western powers of the East German puppet government.

Responsible people from Central and Eastern Europe, who tremble lest the West yield again to Soviet pressure, do not believe, of course, that mere non-recognition by the Western powers of the state of

things behind the Iron Curtain can change the situation there by an iota. But they feel somewhat like a Jewish industrialist from Germany, safely ensconced in Switzerland during the first years of the Nazi regime, might have felt when he was approached by the Aryan administrator of his factory with an offer of purchase.

Usually, such offer was ridiculously inadequate, but the inducement was that if he accepted it he would get at least something for a property which was anyway under sequestration. If the owner said "yes", he had to transfer his title in the proper way, and he got some payment in return. If he said "no", he got nothing, of course, but he kept the legal title to his property. In that case, as things turned out, he got back everything after the defeat of Nazi Germany. The present German leaders in Bonn, and the exiled political leaders from the satellite countries, are at one in demanding that we at least hold on to the titles, there being nothing better to hold on to for the present.

Inside the satellite countries — and in some parts of the Soviet Union itself, for that matter — people who oppose their tyrannical governments count on the understanding and the sympathy of the free world, even though they no longer count on its active support. This knowledge of not being alone is important to them, and the Soviets know it. Consequently, Moscow loses no opportunity to show to the satellite peoples that they have been thrown overboard by the West long ago. Thus, if one were to judge from the satellite press, Khrushchov intended his trip to the United States, last September, to be, above all, a grandstand play for the benefit of his own restless subjects.

The papers in the satellite countries were filled with pictures and stories showing that the Soviet dictator was received everywhere with enthusiasm, and that the American people wanted nothing better than to bury the hatchet and to live henceforth in friendship with Russia. Only a clique of warmongers allegedly stand in the way of Russo-American amity. The tenor of it all was: "The Americans do not give a fig for you. Stop fooling yourselves". To give one more example, in Czechoslovakia, in 1958, the twentieth anniversary of Munich was commemorated by a publicity campaign which went on for months and had as its object to remind the people again and again how miserably they have been betrayed by the West. Again the *leitmotif* was: "The West sold you down the river twenty years ago, and when it dropped you then, it was for good".

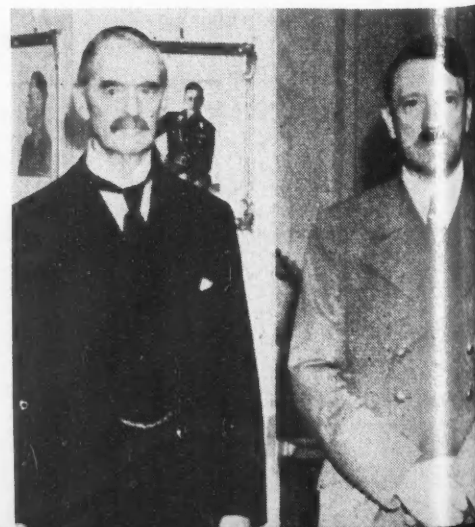
Another indication of how worried the Soviets are over the moral support which the peoples of the satellites are deriving from the refusal of the West to accept their present condition as final, is the savagery with which all those who are engaged in keeping up the spirit of the subjected

peoples are being persecuted. Anybody so starry-eyed as to believe that the Communist regimes have become more civilized of late, just because Soviet scientists (who obviously were decent people always) are now working together with their Western colleagues in many fields, and because Western tourists have a gay time in Moscow (they could have had it years ago too, if only they could have got visas), would do well to watch some of the activities of communist agents in the free world.

These two incidents happened, for instance, in a single place, Munich, Germany, within the past four months: On 15th October, 1959, Stephen Bandera, a Ukrainian resistance leader died of poisoning by prussic acid which had been injected into an apple. It has been reported from Germany that the trail leads to a Soviet agent who is by now well beyond the border. One month later, an attempt to poison the staff of Radio Free Europe with atropine, a paralyzing nerve drug, which was introduced into the saltshakers in the R.F.E. cafeteria, was thwarted when a double agent gave the plot away. The perpetrator of it, a satellite diplomat, has been named. He, too, is of course out of reach of the authorities. All this is perhaps more refined than what was customary in Stalin's times — pickaxes were then in favor rather than atropine — but just as murderous.

To keep insisting on the re-unification of Germany or on free elections in the satellite countries looks perhaps like charging at windmills or like prolonging for no good purpose the cold war of which many people are by now sick and tired. Yet we should keep insisting.

It is a cross which the Western powers must bear for their sins of the past, for having abandoned their friends who used to stand guard on the Soviet frontiers, and for having "played a hunch" about the Russians and thereby helped them to advance to the heart of Europe. It is also the least the West can do for those whom it cannot help, but does not want to harm. It remains to be seen whether the Western Big Three will display the necessary firmness at next May's summit conference.



Remembering the Western giveaways at Munich, Yalta and Potsdam, European countries are wary of summit meeting.



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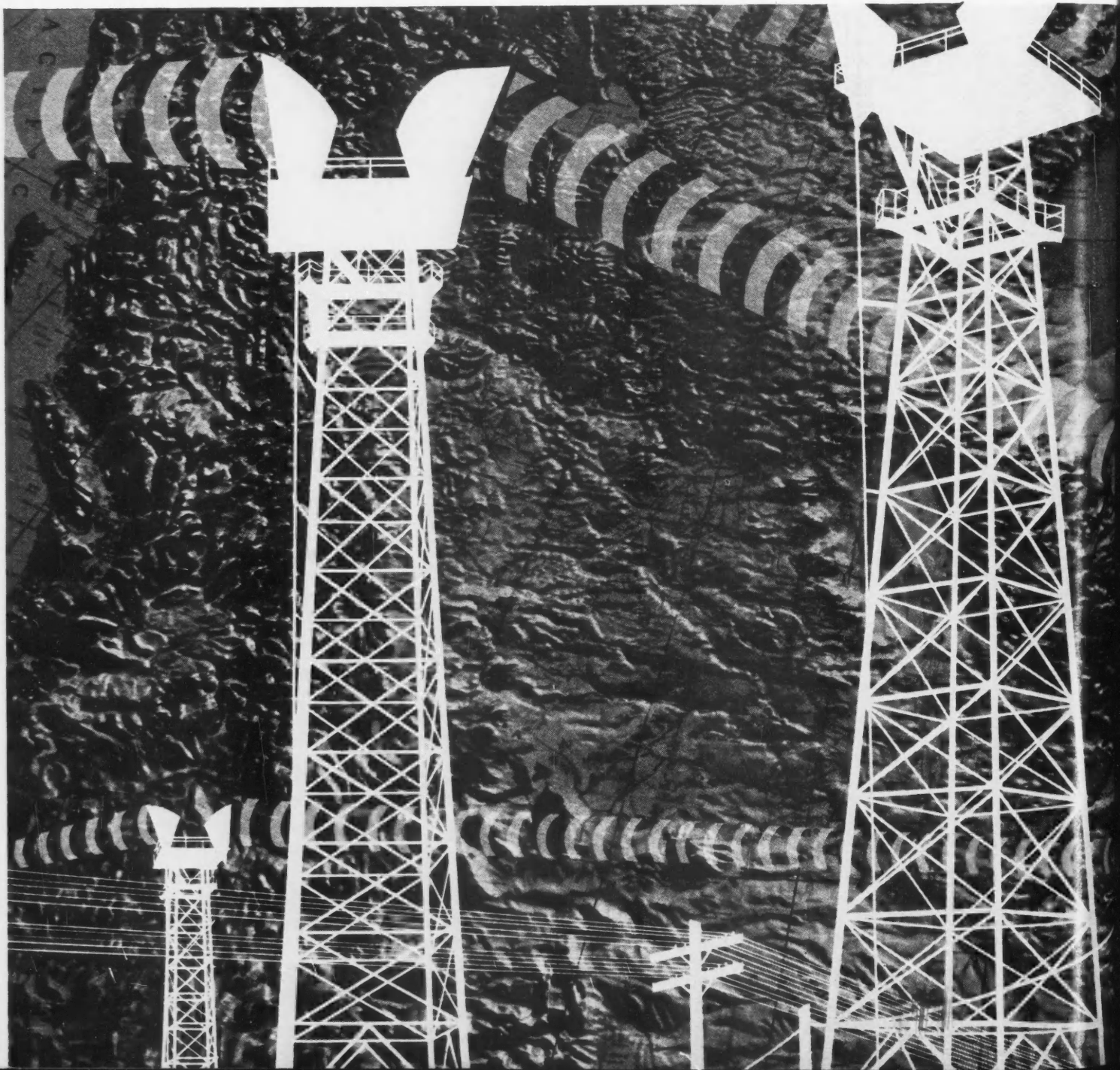
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Lighter Side

by Mary Lowrey Ross

The Children's Crusade

NOT LONG AGO a curious experiment in education took place in one of our suburban schools. The names and some of the details have been altered to protect the innocent, and the not so innocent, but the account as it stands may throw light on the problem of the gifted child from the hitherto neglected angle of the gifted child himself.

The originator of the scheme was Leonard Belfry, aged nine, Grade 8. Leonard was undoubtedly a gifted child and fully aware of the classification. Indeed he could hardly overlook it, since Mrs. Belfry spent a large part of the day describing on the telephone the problems and triumphs of being Leonard's mother.

As it happened Leonard had rigged up a handy telephone muffler which made it possible for him to listen on the upstairs telephone without detection. He would pick up the telephone and hear Mrs. Belfry saying, "I was just going to call the plumber when Lennie discovered the trouble was with the plunger . . . No, never. I don't think he even knows comic books exist . . . So I said quite frankly, 'Mr. Perry, it isn't Lenny who isn't adjusted, it's Miss Meacham and the class. Surely there is something wrong with a system that gives a child A for Accomplishment and E for Effort. What Lennie needs is a challenge . . .'"

At this point Lennie would quickly replace the receiver and go back to reading the comic books he had sneaked home under the brown-paper cover of his Social Studies and Atlas. It was quite true however that he was happily adjusted in Grade 8, where he was protected from the constant challenges presented at home. At school he could easily clean up the day's work in the first half-hour, and then devote himself to projects of his own devising.

His favorite one at this time was smearing Marilyn Frisby's permanently waved head with golden corn syrup reserved from his lunch. As Leonard had quickly discovered, the crenulations were all on the outside of Marilyn's head.

On the day he overheard Mrs. Belfry summoning the mothers of six gifted neighborhood children to a meeting, Leonard decided to take action. At recess he collected the six gifted children indicated by Mrs. Belfry and laid the case before them. "If we let them get away with this it means we probably won't have any more Saturday afternoons. We'll have junior dramatic groups and children's orchestras and maybe *Peter and the Wolf* all Saturday afternoon."

The gifted children were considerably shaken by this bleak prospect—all, that is, except Ronnie Parsons, a newcomer who had distinguished himself the first morning in art class by finger-painting the teacher instead of his art-square. Miss Patrick had quickly recommended him for Grade 2 and he had just as promptly been promoted to Grade 3.

"You're not so smart," Leonard said. "I heard my mother telling Diane's mother on the phone that your mother fed you all the questions and answers on the Grade 3 I.Q. Test."

"She fed me the questions but she got most of the answers wrong," Ronnie said. "If she'd left me alone I'd probably got 145 instead of 140."

"Look, I've got forty comic books hidden under a false bottom in my room," Leonard said. "You can have them if you do like I tell you."

"As I tell you," Ronnie corrected, sulky but wavering. "What do I do?"

"Just play dumb," said Leonard.

"I know, but it's specially hard to pretend you're dumb when you're really smart," Leonard said, patiently cunning. "I mean it's a challenge. Take reading. You tell the teacher the word looks familiar but you can't recognize it. Stall her along and give her the idea you're really trying."

Ronnie considered, intrigued by the dramatic possibilities of the new role. "O.K.," he said finally, "I'll go along."

When the next report cards came in the parents of the six gifted children were appalled to discover that all six had obtained A for Effort and E for Accomplishment. There were frantic telephone calls to the school, but no one could explain what had happened. "I'm sorry, Mrs. Belfry, but I'm afraid Leonard will have to join the Remedial Reading Class," said Miss Meacham on the fourth call.

The story came out when Ronnie's mother discovered the hoard of forty comic books. Under rigid cross-examination Ronnie broke down and confessed that he had accepted them as a bribe to cross up the Gifted Children project. The revelation caused a great deal of scandal and in the end Principal Perry was forced to place the six delinquents in a class by themselves, a solution that satisfied everyone except the gifted children.

"It's really a sordid mess," Marilyn's mother said. "I mean the intellectual dishonesty just for gain. But at least it's a relief to know that our own children won't be contaminated by the unethical behavior practised by a few."

SATURDAY NIGHT

Ottawa Letter

by Edwin Capps

The Energetic Energy Board

IF ALL ITS performances are as good as its premiere, the National Energy Board may stand as one of the Diefenbaker Government's best accomplishments to date. As its first public hearing in Ottawa this month, the new five-man board put on a show of efficiency and expertness that contrasted sharply with Parliament's two years of dawdling over its appointment and functions.

The agenda before the board at its first session was enormous. Five companies had filed applications to export up to one billion cu. ft. of natural gas per day to the United States. In each case, the Board had to consider the company's gas reserves, its contracts with gas producers, its future supplies and prices for Canadian markets, and its supplies, prices and prospective markets in the U.S. The documentary evidence dealing with all these factors was staggering. One company's so-called brief filled 13 thick volumes. So many lawyers and experts were on hand to argue and testify about the technical data that the crowd filled all available seats in the hearing room and spilled out into the hallway.

To grapple with all this complicated evidence and render intelligent judgment on it is clearly a job for first-rate, trained minds. The Energy Board has them, unlike many other appointed bodies, manned by novices whose only qualification is partisan political loyalty. Board Chairman Ian McKinnon, head of Alberta's Oil and Gas Conservation Board since its establishment, probably has more first-hand experience in government supervision of petroleum resources than any other Canadian. His fellow board members are Dr. Roberth Howland, an economist, Jules Archambault, a transport expert, H. Lee Briggs, former general manager of British Columbia's Power Commission, and Douglas Fraser, an economist who has specialized in the energy field in both private business and government.

There are no lawyers on the board, a fact that agreeably surprised many people when the appointments were announced. Predicted one businessman: "That will help speed things up." Whatever the reason, the Board wasted no time on formality or verbiage. Chairman McKinnon's opening remarks took only a couple of minutes, stating the hours of sittings

(9:30 a.m. to 1 p.m.) and banning smoking in the hearing room. Then he was ready to hear the first witness. A lawyer for one of the applicants (Trans-Canada) bobbed up to say that the company President was ready to make a brief policy statement. "He wants to make a speech," one Board member sourly whispered to the chairman. McKinnon promptly ruled the proposal out of order, quietly but firmly suggested that they get down to the real business at hand.

The business was a backlog of gas export applications that had been piling up for three years. The last major natural gas pipeline project approved in Ottawa was that loudly-protested Trans-Canada Pipe Lines deal which the Liberals helped finance with an \$80 million government loan in 1956. Trans-Canada was then a U.S.-controlled company and the Liberal handout of public funds to its Texas-based promoters set off the biggest political hullabaloo since the conscription crisis of World War II. It was undoubtedly the main factor in turning the Liberals out of office a year later. It also put the natural gas industry—one of the country's youngest and most promising—under a cloud that still hangs over it.

Having been powered into office by it himself, Tory Prime Minister John Diefenbaker was especially well aware that natural gas was a potent political issue. He was determined that no gas fiasco would wreck his administration as it did the Liberals'. For more than two years, the Tories did not grant a single pipeline or export permit. In the meantime, the

Royal Commission on Energy (the Borden Commission) and Parliament itself, with last session's long debate on the Energy Act, worked to persuade the public that the Tories would tightly control all natural gas permits in the future.

This deliberate slowdown in natural gas development undoubtedly helped to soothe some angry Eastern voters but it was crippling to the industry itself and to the economies of Alberta, British Columbia and Saskatchewan which depend upon it. Great and growing reserves were backed up in capped wells across the West. There was far more gas than Canadians themselves could use or ever would use in the foreseeable future. U.S. customers were ready to buy and the Westerners were eager to sell. But Ottawa blocked all deals.

As could be expected, the opening session of the new Energy Board and the indication that the federal Government was at least lifting its curbs on the gas industry, brought a rush of applicants for gas export permits.

Trans-Canada Pipe Lines Limited asked one permit to export 204 million cu. ft. daily at Emerson, Man. to markets in the U.S. Midwest and a second permit to export up to 204 million cu. ft. daily at Niagara Falls, Ont. to the eastern U.S. The Niagara Falls permit would be used only when surplus gas is available there.

Alberta and Southern Gas Company Limited asked a permit to export 458,750,000 cu. ft. daily at Kingsgate, B.C., to be carried via a 1,400 mile pipeline to northern and central California, particularly San Francisco.

Westcoast Transmission Company Limited asked a permit to export 165,000,000 cu. ft. daily at Kingsgate, B.C., to be carried via the El Paso natural gas system to western U.S. markets, particularly the Los Angeles area of California.

Canadian-Montana Pipe Line Company asked permission to export 36,000,000 cu. ft. daily to markets in Montana.

Niagara Gas Transmission Limited asked permission to export 16,710,000 cu. ft. daily at Cornwall, Ont. to the Ogdensburg-Massena area of northern New York State.



The National Energy Board: H. Lee Briggs, R. W. Howland (Vice-Chairman), Ian N. McKinnon (Chairman), Jules A. Archambault and Douglas M. Fraser.

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If all these permits are granted, the revenue to Canada from the gas sales alone will be upwards of \$170,000,000 a year. The resulting expansion in Canada's natural gas industry will create some 40,000 new jobs, yield a livelihood for some 200,000 Canadian citizens. It will trigger a \$500 million program of new industrial development in the country—pipelines, gathering systems, processing plants and all the other elaborate installations the natural gas industry needs.

Canada has ample gas to fill all these orders and more. The world's top petroleum experts, basing their estimates on gas already found and the rate at which new wells are being discovered, calculate that there are upwards of 150 trillion cu. ft. of gas reserves in the Canadian West. Our future national needs, based on the most lavish expectations of population and industrial growth, do not exceed 50 trillion cu. ft.

Despite this enormous surplus and the obvious benefits the country would reap from the sale of it, there were still a few objections to gas exports. Some of these were raised in the anti-government press (e.g. the *Toronto Star*) obviously in the hope of whipping up a new gas scandal as embarrassing to the Tories as the earlier one was to their favorite Liberal government.

At least a dozen briefs were filed with the Energy Board by official intervenors (i.e. objectors). Many of these were what are called "watching" briefs, filed by local government and civic bodies urging the board to be mindful of their communities' gas supplies and future prices. Other intervenor briefs were just calculated nuisances, filed by coal companies and coal-hauling railways merely to delay gas service and competition as long as possible. One of the most publicized interventions was made by a gas pipeline company—Northern Ontario Pipelines Ltd., opposing the application by Trans-Canada. Northern's motive was purely commercial; the company wants a better, longer contract from Trans-Canada which sells Northern all its gas.

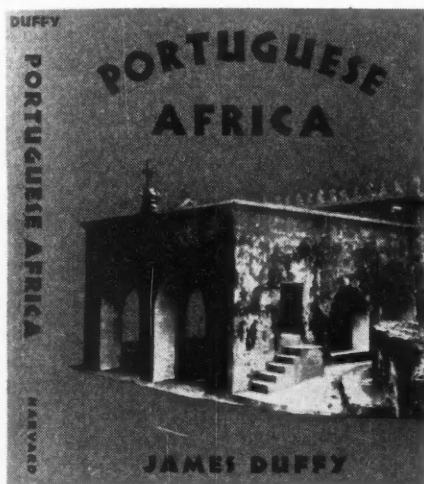
Justified or not, all these objections must be aired at the Energy Board hearing. It will probably be mid-February before all the evidence is in. Afterward, the Board will study the record, then make its recommendations to the Cabinet.

Even under the new Energy Act, the Cabinet still has the last word on gas export permits. Because of some partisan political consideration, it can block a permit that the Board approves. But this kind of clash between the Tory Government and its chosen experts is not expected on the Board's very first assignment. Far more likely is that the Cabinet will promptly endorse its decisions and pass along to the country as quickly as possible any benefits that flow from the National Energy Board's labors.

Books

by Ernest Marshall Howse

Portugal's Slave Colonies



Jacket Design.

PORTUGUESE AFRICA by James Duffy is the first book in English since World War I to re-examine Portugal's Colonies. It is also the only single volume in English which provides a fairly complete, though succinct, story of five hundred years of Portuguese relations with Africa.

The book is of far wider scope than the volumes of Nevinson and Harris published some fifty years ago, as exposés of the slave trade. Mr. Duffy's volume is a first class history of the whole course of Portuguese adventure in Africa since the golden days of the great explorers. It is written with objectivity, is well documented, and reveals warm admiration for the audacity and fortitude of Portuguese explorers, the devotion of many Portuguese missionaries, and the sensitive, humanitarian concern of individual Portuguese settlers, and Government officials.

These redeeming features, however, cannot conceal the essential element, continuing century after century, of an amount of administrative ruthlessness, inflexibility and stupidity incredible even in colonial government.

Much of the book is of the past; and this story is a strange mixture of glory and of shame. But the concern of the reader is perhaps more for the present, where the glory has largely departed and the shame is but poorly concealed. Modern Portugal still lives under a Dictatorship. Even at home it has one of Europe's lowest standards of living, and has little truck with any notion of democratic freedom. Abroad it is not surprising that Portuguese policy has unrepentantly kept

the colonies as a source of raw materials and cheap labor for the benefit of the Europeans.

It is true that the Portuguese deserve credit for an exceptional lack of color consciousness. But this does not seem to have led to any real assimilation. Portugal, of course, insists that it has no African colonies, only "Overseas Provinces", on the same level as the European. Portuguese representatives to the United Nations blandly repeat that the citizens of Mozambique and Angola are constitutionally equal to the citizens of Portugal. They fail to add the qualifying factor that 99% of the ten million Africans are not Portuguese citizens at all.

Portuguese Statutes still designate the vast majority of Portuguese Africans as *indigenas*. These *indigenas* have neither political, economic, intellectual nor social freedom. In every detail of their lives they are subject to special laws. Their *Administrator* tells them where they work, what they plant, when they harvest, and whether they go to a feast or a dance. In brief, although the native is no longer called a slave, he is to-day, as fifty years ago, subject for six months each year to conscript labor in which "floggings and beatings are the rule rather than the exception". "Forced labor is the economic flywheel in Angola".

Mr. Duffy points out that distinguished Portuguese citizens and individual members of such opposition as Salazar permits have both protested against some of the worst abuses, but without avail. Portugal, he charges, alone among the nations with colonial power, is relentlessly "perpetuating the past into the future".

Mr. Duffy has an interesting chapter on missionary effort in Portuguese territory. This, too, is a strangely checkered tale. The early missionaries included some men of great ability, and devotion—among their number the great Evangelist, Saint Francis Xavier.

But the missionaries for the most part reflected, as was natural, the social conscience of their own age and their own society. Many of them, the Jesuits especially, became slave traders. The

Jesuits argued—as other Christians, both Romans and Protestants, did much later—that the best way to convert a Negro was to enslave him that he might be introduced to Christianity on American plantations.

A new era in Roman Catholic missions began in 1881 with the arrival of a remarkable Priest, Father Antonia Barrozo. Since then the Missions have not only rendered great service to the African natives through practical training in agriculture and manual crafts, but have often been their outspoken defenders against repressive administration.

Protestant missions have existed in Portuguese Africa only since the time of David Livingstone. They have specialized in schools, hospitals and agriculture institutes. The school for boys at Dondi is famed as a model institution for the education of African youths, and the Hospital there—at present with two distinguished Canadian doctors, Walter Strangway and Sidney Gilchrist — attracts patients from every part of the colony.

Protestant missions have labored amidst a great deal of hostility, some of it religious and some the fear of authoritarian governments, that natives educated in Protestant schools will grow up less amenable to their overlords. In general, Protestant Missions have been received "with discreet tolerance, broken by sporadic unpleasant incidents."

Dr. Duffy doubts whether either Catholic or Protestant missionaries have yet created an indigenous church that would survive the missionaries' departure. Statistics of baptism, he says, should be read with remembrance of the impressive figures sent to Rome by the Capuchins in the middle of the Seventeenth Century, and by the almost complete disappearance of Christianity in the same areas a century later.

Portuguese Africa raises questions which do not cease to be of interest to Portuguese boundaries. Why does a tiny dictatorship in Europe, its own population poor and illiterate, have complete control of the destinies of ten million Africans? Can such control long continue?

Christmas Competition Results

SATURDAY NIGHT extends its congratulations to the many hundreds of its readers who put their brains to work on the Competitions published in our issue of December 19 and who took pen in hand to send in these brain-children. Most successful was the Crossword competition for which nearly 500 answers were received; all the others, as well, had an enthusiastic response. Herewith the summing up:

Puzzler

Winner is: N. Rothenburg, 1910 — 10 Ave. N.W., Hounsfield Heights, Calgary.

Who receives a copy of Lancelot Hogben's *Mathematics for the Millions*.

Solution is: No. 116. Ted 48, Peter 24, Pat 12 years.

Crossword

Winner is: (Miss) Pat Johnston, 124 Lochiel St., Renfrew, Ont.

Who receives a copy of the *Shorter Oxford Dictionary*.

Solution is: No. 483

ACROSS	24, 14 Good will	8 Stocking
1, 4 White	26 See 9	12 Darwin
Christmas	32 Lignite	14 See 24
4, 36 Christmas trees	33 Leonora	15 Slalom
9, 26 God rest you merry	35 Wenceslas	17 Hid
10 Proviso	36 See 4A	18, 30 High time
11 Standard	DOWN	20 Mae
13 Week	1 Wages	21 Bungalow
16, 25 Church organ	2 India	25 See 16
19 Ill omen	3 Eve	27 Ogles
22 Undoing	4 Cater	28 Rhone
23 Lollid	5 Rope	29 Years
	6 Snow	30 See 18
	7 Maine	31 Bell
		34 Out

Chess

Winner is: J. H. Burwell, 479 Richardson Ave., Ottawa.

Who receives a copy of *My Best Games of Chess, 1931-1954* by S. G. Tartakower.

Solution is: No. 234 (Mackenzie) Key 1.Q-K2.

Literary Competition

Winner is: Evelyn J. Broy, 1971 Francois Rd., Windsor.

Who receives a ten dollar book voucher for this modern version of Chaucer's lament to his empty purse:

Song of a Cat to His Empty Loot Bag

This crazy slimness is O.K. in
wheels or a watch — or even a dame,
but the bag for stashing the take-home pay in
should be fatso, like man, that's the way I dig you, Daddyo.
Last night you gave with a poor lot of moola;
but like "goofs can happen" said some bird.
Like, I guess my algebra could've been cooler —
and crazy cat, this time "the rent was mightier than the surd."
Get with it, Big Daddy — make with the greenbacks fold on fold
Yea man, the cat that wields the wallet wows the world!

The native peoples, subject to Portugal for five hundred years, have been kept so much behind others in different areas that they have not yet produced the kind of leaders who can embody ideas of freedom and independence. But, especially with the spread of mission schools, the day when they will be surely coming. Portuguese colonies cannot be kept isolated from the rest of the continent. The winds blowing through Africa will be felt in Angola and Mozambique, as they are from Morocco to the Cape. The freedom of Ghana, the relatively enlightened policies of other Colonial Powers, and the dead-end policies of the South African Union, alike kindle flames in which subjection cannot endure. If Portugal is to remain in Africa she will need to temper her theory and practice with a wisdom and understanding, and a respect for the African himself, as yet given no countenance in Salazar's "New State".

Mr. Duffy has thrown a beam of light upon an area too long obscured in shadows. Much of what he reveals is unpleasant; but it is none the less important not only for Portugal but also for every nation of the so-called "Christian West".

Portuguese Africa, by James Duffy — Saunders—\$8.75.

Native Lunacy

NEWBY'S LATEST NOVEL is a comedy of international manners, a field in which the author, with his nimble and objective approach, is very much at home. The central character here is the Egyptian Muawiya, whose visit to London, as guest of the British Council, happens to coincide with the Suez crisis. Muawiya promptly appropriates a car, wrecks it, and defying the police, takes refuge in the Egyptian Embassy.

From this point of vantage he begins to make wild sorties on the British consciousness. He gives a party at the home of a reluctant acquaintance. He takes his stand at the Speaker's Corner in Hyde Park. He invades a public debating society and lectures genially on the coming supremacy of the dark races. He longs, in fact, for martyrdom at the hands of a vindictive enemy government.

Meanwhile his petulant or outraged British acquaintances continue to protect him and he flings himself in vain against the massive indifference of the British Government which wants him solely for traffic violation. Author Newby's thesis, which he develops with urbanity and wit, appears to be that, objectively considered, any country's most cherished conventions are just a form of native lunacy. M.L.R.

A Guest And His Going, by P. H. Newby — Clarke Irwin—\$3.50.

Chess

by D. M. LeDain

INDIA IS CREDITED by historians with the invention of chess, based on the fact that the first reference to the game, so far found, occurs in Sanskrit literature about A.D. 600. The evidence points to north-west India or the upper basin of the Ganges, then a stronghold of Buddhism, as the place of origin. As Buddhism forbids the taking of life it is believed that Buddhist monks invented the "war game" in the hope that men's minds would be turned from the lure of actual fighting to this bloodless substitute for war.

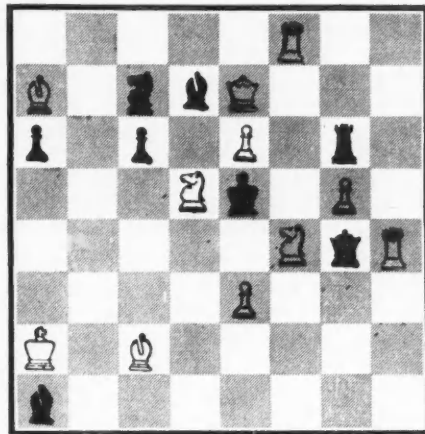
White: Dr. A. Alekhine, Black: Malik Sultan Khan

1.P-Q4, P-Q4; 2.B-B4, P-QB4; 3.P-K4, P-KP; 4.P-Q5, P-K3?; 5.B-Kt5ch, B-Q2; 6.PxP!! BxB; 7.PxPch, K-K2; 8.PxKt (Kt) ch!! K-K1 (If RxKt; 9.B-Kt5ch); 9.Q-R5ch, K-Q2 (P-Kt3?; 10.Q-K5ch); 10.Kt-QB3, Q-R4; 11.Castles ch., K-B1 (forced);

12.Q-B5ch, Kt-Q2 (forced); 13.RxKt!, BxR; 14.QxKBch, Q-Q1; 15.Kt-K7 mate!

Solution of Problem No. 236 (Loschinsky) Key, 1.K-Q2.

Problem No. 237, by S. C. Dutt (Calcutta), (1st Prize, BCF Ty., 1955). White mates in two. (11 + 8)



Puzzler

by J. A. H. Hunter

"WELL, WE'LL SEE you later. Our first guest in the new home," said Tom, pausing at the door. "Have you written down the address?"

Sam smiled. "No need for that," he replied. "An aged aunt of mine used to live on your street years ago."

"Okay, but don't expect Mary to keep dinner waiting all night while you cruise up and down searching for the right house." Tom laughed. "I know what happens when you figure out some crazy connection in a number."

"Yours is easy," Sam told him. "It's equal to just twice its second digit multiplied by the sum of all three."

So Tom left the office, hoping for the best.

What was the number of his house?

(119)

Answer on Page 36.

One On The Kisser!

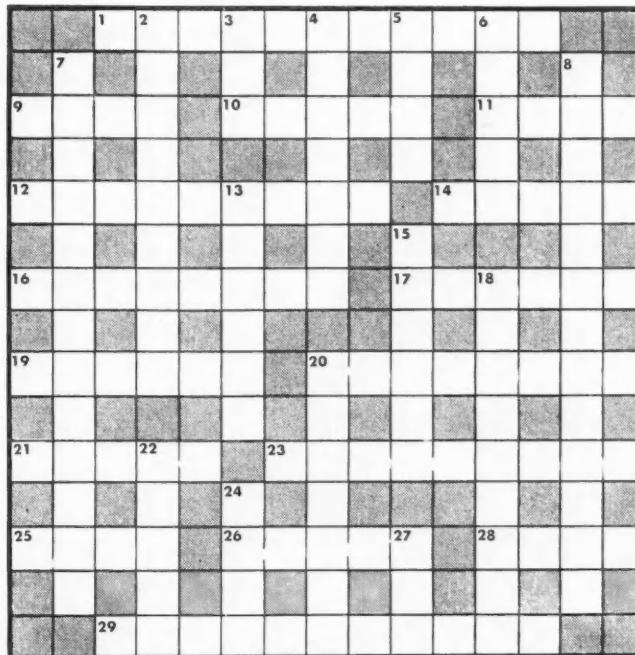
by Louis and Dorothy Crerar

ACROSS

- 1 This request in song would not be made by one who requested 23, 7. (4, 2, 5)
- 9 This man a poet? who gives a jot! (4)
- 10 Bernice, be off, and change for the better. (5)
- 11 It comes from making the most of a related issue. (4)
- 12 This language could make poets earn international popularity more readily. (9)
- 14, 2 But usually one isn't 2 about whom one is getting 14 from. Face up to it. (1, 4, 2, 3, 4)
- 16 Swell fish? (8)
- 17 Mental disturbance. (6)
- 19 How band leader Jones liked his drink? (6)
- 20 See 4. (8)
- 21 Like 14 for Hallowe'en? (5)
- 23, 7 Don't give me any of your lip! (as Shakespeare said). (4, 1, 4, 5, 4, 4)
- 25 Not near zero but game. (4)
- 26 Slain, perhaps, with a hammer. (5)
- 28 To alter the first course at dinner is work! (4)
- 29 It's an error to kiss in old-fashioned style. (11)

DOWN

- 2 See 14
- 3 It's got in without it! (3)
- 4 Stimulates and arouses are its 20A. (7)
- 5 They never missed her after she was married. (4)
- 6 If the Waltons chose their son's name from the Bible, they couldn't spell! There's something fishy about it. (5)
- 7 See 23
- 8 A 5 giving the first part is likely to leave the second part on the man's face. (4, 3, 4, 2)
- 13 To make these could be one's aims at the start of day. (6)
- 15 When you do this in water you have something to breathe with. (6)
- 18 Tumors, son, can become hideous! (9)
- 20 Does one come out in vacation spots from this form of disease? (7)
- 22 A titled Englishman rising empty inside, should get something to make his mouth water. (5)
- 24 See you soon? The answer may be a negative. (4)
- 27 It will be back in 16, not later. (3)



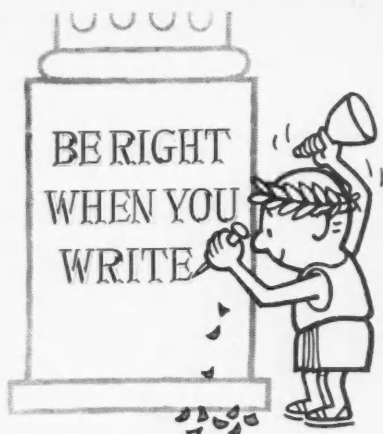
Solution to last puzzle

ACROSS
1, 18, 15D, 14, 1D, 18, 6 Spare the rod and spoil the child.
4 Pad
6 See 1A
9 Overtired
10 Tides
11 Lavender
13 Malady
15 Rotate
16 Snakepit
20 Disallow
22 Steppe

25, 19, 18, 24 No rest for the wicked
27 Minstrel
30 Idaho
31 Oak-apples
33 Eland
34 End
35 Trait

DOWN
1 See 1A
2 Ale
3 Extinct
4 See 29
5 Dodo

6 Catwalk
7, 17 India paper
8 Dusky
12 Votes
14, 15 See 1A
17 See 7
18 See 1A
19 See 25A
21 Lassoed
23 Tossplot
24 See 25A
25 Noise
26 Riata
28 Liszt
29, 4D Cole Porter
32 Lea (486)



Make sure that the addresses on your letters and parcels include these 5 points:

- Full name of person to whom your mail is addressed.
- Correct street address, rural route number or post office box number.
- City, town or village.
- Province, state (or equivalent) and country.
- Your name and return address in upper left corner.

Remember, Postal Zoning operates in Vancouver, Winnipeg, Toronto, Ottawa, Montreal and Quebec. When writing to these cities be sure to include the Postal Zone Number.



Miracle with restraint: Cathy O'Donnell, Martha Scott, Haya Harareet.

Films

by Mary Lowrey Ross

Destruction Derby

THERE IS NO NEED to rush off to see *Ben Hur* since it will almost certainly be around for years and years. At present the crowds are lining up for reservations as enthusiastically as though *Ben Hur* were a Grey Cup game, and unless you are exceptionally forehanded you are likely to find yourself so close to the screen that by looking sharply into the handsome Roman faces (A.D. 1) you can detect the Twentieth Century inlays in their teeth. Nothing on so magnified and grandiose a scale has ever been presented on film.

With all the magnificence expended here, *Ben Hur* fortunately hasn't flowered beyond recognition. It retains its richly plotted Nineteenth Century story, its pageantry cast, and the popular blend of spectacle and evangelism that goes beyond Director William Wyler and General Lew Wallace and Cecil B. de Mille, right back to the first century. The tradition remains intact and, as always, everything leads up to and away from the great chariot race, which has now reached such a pitch that it just stops short of killing its stuntmen outright.

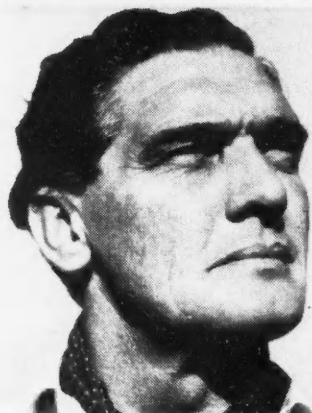
In the Wyler version for instance, any ground rules are suspended in favor of Messala (Stephen Boyd) who is able to equip his chariot hubs with an arrangement of revolving blades designed to cut the opposition to pieces. Dust spins, wheels carom, chariots are smashed to kindling, but it is Messala who winds up on the operating table looking after emergency treatment like a rolled brisket and

barely able to articulate his dying message of hate to his old enemy Ben Hur (Charlton Heston). The screen has never presented us with a more breathless action sequence, or, at its climax, a more fearful and stertorous death-bed scene.

Apart from the Crucifixion sequence towards the end the religious theme has been handled with a restraint that approaches diffidence. Unlike the late Cecil B. de Mille, Director Wyler has recognized the difficulties of balancing the elements of spectacle and evangelism, and through most of the picture he has stressed the political rather than the religious aspects of the story, keeping a sharp eye on major and minor officials and conflicts and presenting his hero (Charlton Heston) as a muscular stalwart who must wrestle through his spiritual struggle as best he can.

Ben Hur runs for more than three hours and a half and since it is a superb piece of production a great deal of that time can be spent very pleasurably. The film cost thirteen million dollars, which is a lot of money to spend on a picture but not, on the whole, an exorbitant amount to lay out on a recreation in glowing decorator's colors of the Roman Empire and its environs. There are no great performances, but since the emphasis here is on action rather than on acting, this is no great handicap. *Ben Hur* is a fine old windy epic demanding purely histrionic treatment and any character who tried to go beyond the original Lew Wallace conception would have seemed as out of

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place as a figure in an historical pageant attempting an "interpretation" on a passing float.

By contrast to *Ben Hur*, *On the Beach* which sets out to describe the imminent extinction of the human race, is a study in human listlessness. Faced by the final predicament, the characters in the Stanley Kramer-Nevil Shute production settle down for the most part with a bottle, like so many beach-combers resigned to the knowledge that the final remittance is now in. The producers here have been so concerned with the effects of the hydrogen bomb that they haven't taken time to examine the obvious reaction of the human race, which would almost certainly be to dig in and attempt to survive. A powerful amount of digging can be accomplished in five months of grace, and obviously Gregory Peck should have been handling a pick instead of dawdling about the beach with Ava Gardner.

Granted that the extinction of life on the planet is unimaginable in any terms we know, the sheer tenacity of the human race is still something to take into account. As it is, the producers of *On the Beach* have simply left it out of their reckonings and this more than anything else gives the picture an unreality that never quite achieves the unreality of nightmare. The empty waterfront and streets of San Francisco and San Diego are a highly theatrical device but they don't, on reflection, convey much meaning ("People are like animals" someone says during the story, "they creep away to die.") Yes, but they have to creep somewhere; they don't just vanish.

Obviously the picture is intended as a high-minded warning that in the event of that last fatal button-pushing, the human race might just as well settle for resignation and the death-wish, as symbolized by government-issued lethal pills. It would have been a pretty effective ultimatum if the makers of the film had discovered a more imaginative way of making it stick.

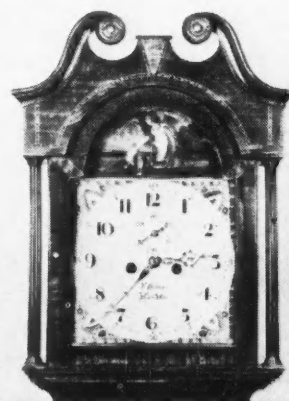


Gregory Peck and Ava Gardner.

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London Letter

by Beverley Nichols

Royal Affairs and PR Folly

THE PUBLIC RELATIONS department of Buckingham Palace staggers from folly to folly. If ever there was a piece of news that should have been hushed up it was the forlorn visit of the Duke of Windsor to his former home—Windsor Castle. Consider the facts, as they have been presented to the public. The Duke seeks royal permission to visit the castle library—a difficult request to have to make, whichever way you look at it. The permission is graciously granted. Precisely one hour before the time fixed for his arrival, the Queen drives out of the Castle to join Prince Philip in a shooting party. The Duke arrives, and completes his researches. And at the exact moment that he is leaving, by the back door, the Queen and Prince Philip are returning through the sovereign's entrance.

The effect on public opinion of this vulgar advertising of a family tiff has been lamentable. It may be that the Duke of Windsor did not wish to meet his niece, or it may be that the Queen had no desire to meet her uncle. In all probability, neither had any great desire to meet the other. But why publicize the fact? Windsor Castle is quite large enough to find accommodation for the Queen, for a couple of hours, without her being obliged to leave as if it were about to be visited by the plague. And no snub could have been more totally humiliating than the coincidence of the humble exit through the back door and the royal entrance through the front. These things may happen in the best of families, but in the best of families they do not get into the papers.

The reason for the Duke's visit, admittedly, cannot have given any great satisfaction to the present occupants of the Castle. He is writing a book on men's clothes, in close collaboration with Lord Kinross, and it is more than possible that in royal circles there may be some apprehension as to the outcome, particularly when it is published in America. The Duke, with his tartan dinner jackets, his bow ties, his loud checks and his curious hats, is hardly Savile Row's idea of a well-dressed man. As for Lord Kinross—he has never given the impression that he cares tuppence about clothes, one way or the other. He is quite capable of wearing an ancient red jumper with a frock coat. However, he has a very pretty wit, and exquisite manners, so the text of the forth-

coming work, at least, should not be open to objection.

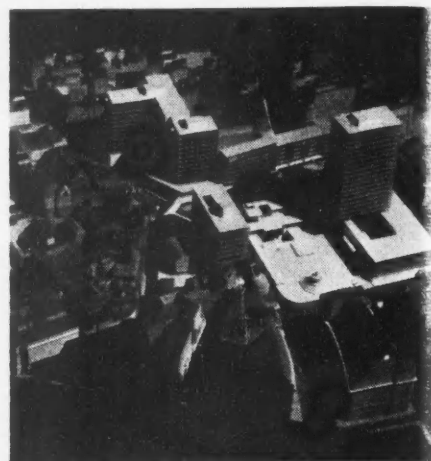
The London critics are getting tougher, and about time. Only too often they are inclined to hold their punches, glossing over shoddy work and feeble performances. But the case of Rosalina Neri was too much for them. Miss Neri is a twenty-six year old blonde with no visible talents except her vital statistics, which are very visible indeed. For reasons which must ever remain mysterious, she was given the star role in Donizetti's opera *L'Elisir d'Amore* at the Adelphi Theatre. The result was completely catastrophic. The audience booed her off the stage, and on the following morning the critics observed, *inter alia*, that her voice was "as thin as old sandpaper", that she sounded "as if she were singing through a pea-shooter" and that "as the evening wore on her pitch wilted like an ageing stick of celery".

Let us hope that future Miss Neris, and—even more—their sponsors, will take note of these strictures. Londoners have no longer any time for these insults; public taste has taken a sharp turn upwards. In some ways this is the most brilliant theatrical season since the war. But to me the most moving moment of recent years occurred in the London Coliseum on New Year's Eve, where they are staging a £100,000 pantomime called *Aladdin*.

The vast auditorium was packed from floor to ceiling, and when the actors took their bows at the final curtain, we all began to sing *Auld Lang Syne*. Suddenly



For the Duke of Windsor: Back door.



For Piccadilly Circus: New horrors.

a distinguished white-haired old lady leaned from her box and held out her hand to a young colored dancer. He grasped it eagerly and that was the signal for an equally distinguished old lady in the opposite box to seize the hand of his colored partner. I have heard a good deal of applause in my time, but the applause that greeted that simple gesture nearly did "bring the roof down".

And yet, intolerance continues. There has been more of this swastika painting business than you probably realize. The formula is always the same—a crooked cross, crudely smeared in red crayon, and underneath the two words *Juden Raus*. These sinister symbols have not merely appeared in trouble spots like Notting Hill Gate, but in the most respectable quarters of the city, such as the offices of the *Jewish Chronicle* in Farnival Street and the Board of Deputies of British Jews in Bloomsbury. They have also cropped up in unexpected places like quiet country towns in Kent. One of the most regrettable aspects of the whole business is that it has coincided with the arrest, for fraud, of a group of Jewish financiers whose activities have recently received a great deal of hostile publicity.

For the first time in living memory Londoners are really sitting up and taking notice of what the vandals are doing to their own city. Usually the desecration passes unnoticed, and Georgian facades and Regency crescents are demolished without a word of protest. But this time it is different, for their beloved Piccadilly Circus is threatened. The comments of the average Cockney on the proposed plans for the rebuilding of Piccadilly Circus are quite unprintable.

And rightly. Admittedly, Piccadilly Circus as it stands is an architectural mess . . . brash, vulgar, chaotic. From an artistic point of view it is regrettable that it was not blown up during the war, as it so often very nearly was. But it abounds in sentimental associations, centred round the statue of Eros, which has always been a focal point for letting off steam.

But the new plans would keep all the worst features of the old world while superimposing a great many horrors of the new. Dominating the whole circus would be a skyscraper of quite exceptional clumsiness. (We British can't build skyscrapers, even little ones; they don't fit in either with our subsoil or our psychology). This abortion would violently conflict with the graceful crescent of Regent Street, and would snarl at the ramshackle cluster of shops and business premises that leads to Leicester Square. However, maybe it won't happen after all. When normally inarticulate citizens deluge the newspapers with letters signed "Mother of Six" and "Old Age Pensioner" and "Outraged", officialdom has to sit up and take notice. And officialdom, in the shape of Mr. Henry Brook, the Minister of Housing, has at least been jolted into calling a public enquiry.

You will all have read about "the wedding" . . . by which I mean of course the wedding of the Earl of Mountbatten's daughter, thirty-year old Lady Pamela, to a young interior decorator, David Hicks. One of the brightest stars of the occasion . . . and this is not merely loyal gossip . . . was Princess Anne, making her first public appearance as one of the five bridesmaids . . . and looking quite enchanting in her little crinoline dress, with a wreath of flowers in her hair.

And since you will obviously be hearing a great deal about this young lady, the Queen's only daughter, in years to come, it seems fitting to mention that she has a sense of humor. Just as the reception was beginning, with a glittering collection of guests filing in to meet the assembled royalties, all the lights went out. And the voice of the little Princess, in perfect Cockney, was heard in ringing tones . . . "Cor blimey . . . ain't it getting dark?"

Princess Anne will need all her sense of humor in the years to come. The lot of the head that bears a crown does not grow any easier. Great changes—social and economic—are round the corner in Britain, even under a Tory government.



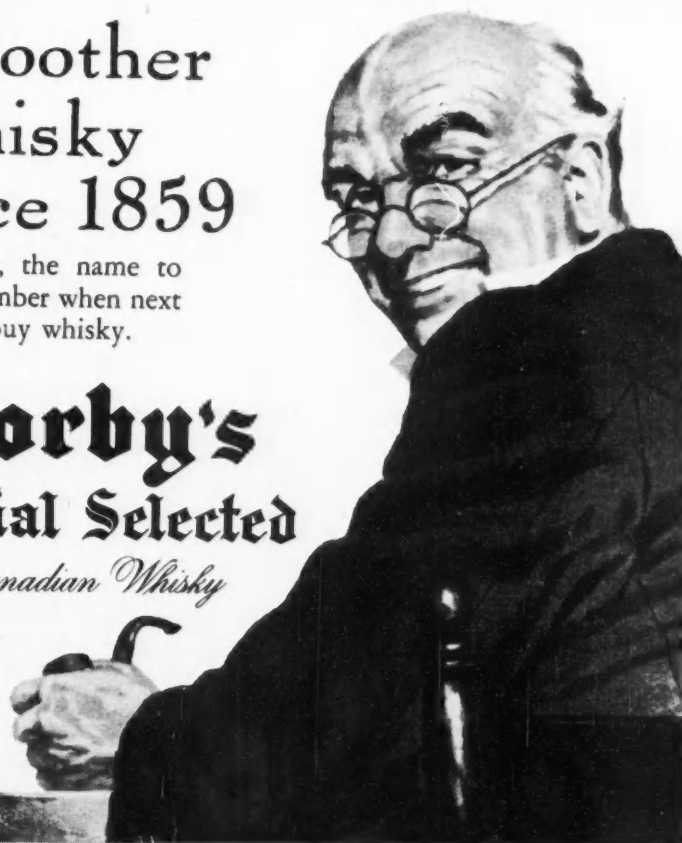
For Princess Anne: A Cockney accent.

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Nickel Mining and Smelting

Could you oblige with a history of Nickel Mining & Smelting, giving its highest value and the date of that value? I understand the company is a product of a merger. Is it the result of worth-while expansion or earlier failure? — C. G., Ottawa.

Nickel Mining & Smelting is testing a nickel property at Gordon Lake, 55 miles n.w. of Kenora and 25 miles from Minaki, in an effort to put in sight sufficient tonnage to warrant proceeding with production. It has recently given Faraday Mines an option until the end of 1960 on 800,000 unissued shares at 50 cents a share. Faraday has further options, exercise of which would result in it providing in all \$4.4 million for 2.8 million Nickel Mining shares and \$3.6 million bonds. Warrants accompanying the bonds would entitle the purchase of a further 900,000 shares.

Since Nickel Mining already has debts of some \$4 million, it is apparent that production, if reached, would find it heavily in debt. And the equity of existing shares — 4.1 million issued — would be subject to heavy dilution. Possibly for this reason the market response to Faraday's participation has been nil. Another reason could be the result of a comparison with Sherritt Gordon — an operating nickel mine, with proven ore reserves, and highly economic process of metal making — but apparently unable to get off the ground marketwise.

It is interesting to note that Sherritt has net current assets of some \$5.5 million, long-term debt of \$17.2 million and market capitalization of some \$28 million, based on 11.3 million shares and a price of \$2.50. It had, at the end of 1958, ore reserves of 14.6 million tons averaging 0.90% nickel and 0.48% copper, an increase during the year of 940,000 tons after extraction of almost 900,000 tons. The mine has been opened to 2,350 feet and is conducting exploration in unexplored ground at depth.

Grade at Nickel Mining is indicated as somewhat higher than Sherritt but commercial possibilities are dependent on putting sufficient tonnage in sight. It is thought a reasonable profit could be won on the basis of grade of 1.3% nickel and 0.6% copper with the good widths encountered.

Nickel Mining made its bow a few years back as Eastern Mining & Smelting, a merger of Eastern Smelting & Refining Corp., and Quebec Nickel on a share-

for-share and one-new-for-three-old respectively. Early in 1958, E.M. & S. went through the wringer (one new for each 2.75 old) and emerged as Nickel Mining.

Nickel Mining has a power development at Chicoutimi, Que., acquired with a view to applying power to metal making. The power project is vested in a subsidiary, which financed via bonds, and the value of the equity to Nickel Mining is indeterminate. It deferred a metal-making project to be based on the power.

Nickel Mining in 1959 sold up to \$1.18 and down to 50 cents. Eastern Mining, the original vehicle for the power and metal-making projects, sold up to \$7.70 a share in 1956. This would make the equivalent price for Nickel Mining about \$2.80. Your broker will be able to check the dates of the highs.

Whether Nickel Mining has had "worth-while expansion" or "previous failure" is something hindsight will tell better than foresight. The bet is, however, still open and the market is saying it is worth upwards of 50 cents a share.

As indicated above the Nickel Mining-Faraday agreement involved no cash when originally announced, although conversion of a then undeclared portion of the first option into an underwriting has been done. This did not prevent a section of the metropolitan press from headlining the deal "\$4,400,000 arranged." If money which would be paid on exercise of an option can be described as "arranged," words have ceased to have a meaning.

Canada Wire

What do you think of Canada Wire & Cable B in view of its recent cut in the quarterly dividend from 15 cents to five cents? In an earlier issue — May 1959 — you advised that cash flow rather than net earnings was the thing to watch in connection with this one. Do directors not consider cash flow when deciding dividend policy? — W. C., Meaford, Ont.

Any inference that cash flow rather than earnings was the thing to watch in connection with Canada Wire B is gratuitous. Cash flow is, of course, seldom out of the minds of directors. That's why the dividend was cut from 15 cents to five cents. The year 1959 failed to produce a reversal of the downtrend in earnings although directors expressed themselves in the 1958 report, issued in the spring of 1959, as expecting some improvement in profits.

Even with the reduction in dividends, surplus will again be reduced in 1959.

The overall position of the company continues to be that of a strong unit in an industry closely tied to the economic development of the country. The B stock ranks as a speculation based on strong cash and physical values.

Officials hope for an increase in sales of approximately 10% in 1960 over the 1959 level, the latter being little changed from the 1958 level. But severe foreign and domestic competition is unlikely to permit any, or very little, improvement in the profit margin.

Every cloud has a silver lining and there may be a couple of causes for optimism on Canada Wire. One is that the company is a subsidiary of Noranda Mines, thus well-placed to obtain a regular flow of raw materials in the event of continuing firming in the price of copper. The other is the longer-term possibility of a trend in this country to the placing of electrical wires underground, which could expand the market for the cable industry. Many communities in Canada early this winter suffered interrupted power service as a result of storms. This would not be experienced with underground supply lines.

Bell for a Hold

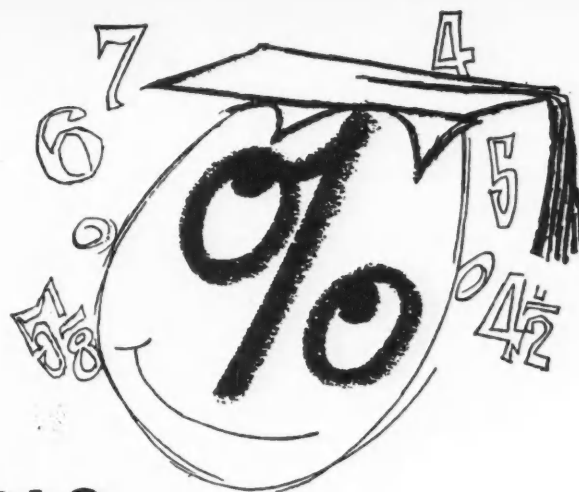
We have set aside the family-allowance cheques for the past few years to establish an education fund for our twin children now aged 5½ years. There is now \$800 in the account. We have the opportunity of investing this at 6% compounded annually with the option of reinvesting the interest. Would you advise this investment or one in a reliable mutual fund so that at age 18 the amount of money accumulated would have the same purchasing power as today? — D.A., Vancouver.

Since you do not describe the 6% investment, it is not possible to discuss it in comparison with mutual funds. The purchase of the latter has frequently been recommended in these columns but in your case there seems to be some need for defensive investing. For this reason Bell Telephone is interesting.

The attractions of Bell lie not so much in possibilities of substantial price appreciation as in the indicated stability of its earning power and dividends plus the probability of periodic rights. These could be exercised to provide employment for future funds, or sold and proceeds treated as tax-free dividends.

This view does not preclude the possibility of Bell participating in a general upward revision in the price of equities as a result of inflation.

Yield on Bell is 5%, based on indicated dividends of \$2.20 a share and a recent price of \$43. Since there is a 20% tax credit on dividends of shares of domestic corporations, the Bell dividend is practically tax-free for any one in a 20%



Yield ? Growth ? Security ?

Securities in a portfolio should not be selected entirely on individual preference, but should include bonds and stocks which provide yield, growth and security — and in correct proportion to your requirements.

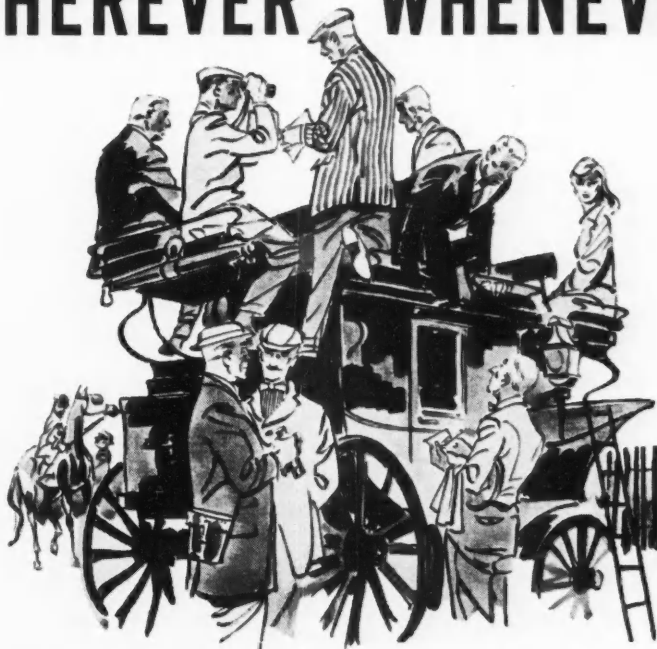
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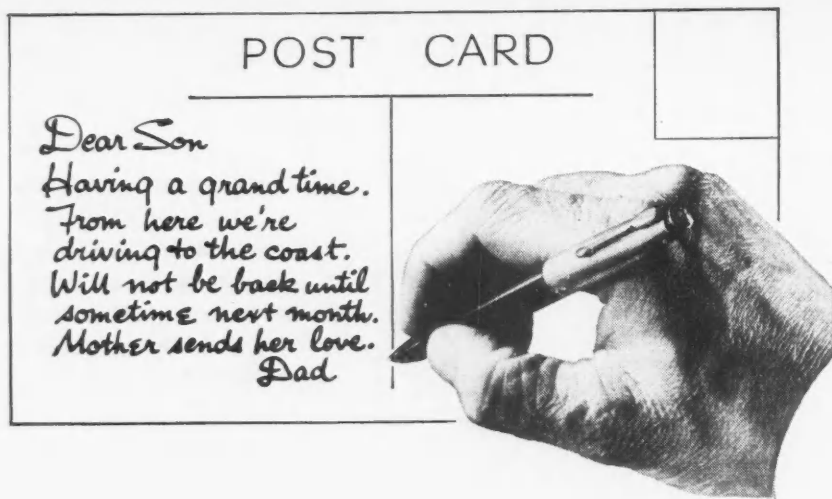
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The big question, of course, is—

Will you have the means? In other words, if you keep up your present rate of saving, will you have financial independence on retirement?

If the answer is "no", you might look into the excellent Retirement Savings Plans provided by Canadian Government Annuities.

For example:

Supposing you are a man of 28 and wish to secure an Annuity of \$100 per month, commencing at 65 and continuing as long as you live. Your monthly premium would be only \$14.90.

AND YOUR PREMIUMS ARE DEDUCTIBLE FOR INCOME TAX PURPOSES WITHIN CERTAIN LIMITS.

This is only one example of a government annuity. You can purchase plans that start at 50, 60 and 65. What's more there is no medical examination . . . and the annuity can't lapse . . .

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tax bracket. Thus 5% gross yield would be 5% net. On the other hand, income received as interest is subject to income tax, so that \$6 interest per \$100 of principal would probably be below \$5 after taxes.

The additional income to be enjoyed on sale of Bell rights might run 50 cents or a dollar per year per share held.

Velok and Fairbanks

I should like an opinion on Velok and Canadian Fairbanks Morse. Also about two years ago you published a list of growth stocks which were good for investment. I bought some of them and have done well on the whole. Could you make out another list applicable to the present time? I shall have funds to invest over the next year or so and should like your opinion. — A. G., Sault Ste. Marie.

The Velok project is based on a new method of joining textiles or other fabrics with same effectiveness as with metal slide fasteners, which have found such wide application. Initial shares of the Canadian company were well received and a strong secondary market developed at levels substantially above the introductory offering price. But since Velok is a new company in a new industry there is no criterion of expected earnings and the shares must be accorded a speculative rating.

Canadian Fairbanks-Morse is engaged to some extent in cyclical industry and shares can be expected to sell at not too high a price — earnings ratio, other things being equal.

It is gratifying to hear from readers who capitalized the suggestions given in our article of November, 1957, entitled "Fifteen Best Bets in a Wobbly Market." It is, however, difficult to find comparable bargains today. We suggest you ask about specific issues. In the meantime, we might offer a general recommendation on resource industries as a hedge against inflation. This category includes the main industry in your community — Algoma Steel. It has the plant, the low costs and the coal and iron resources. Iron resources are extensive enough to lend Algoma the flavor of a mining stock as well as a steel equity.

Electrohome

Why is Dominion Electrohome selling or no more than when you recommended it back in mid 1956? — P. C., Windsor.

You fail to consider that the stock has been split three for one. Thus the investor acting on our recommendation has tripled his money. He has further been a beneficiary of rights granted in April 1959 entitling him to subscribe to one additional old share at \$25 for each 10 old shares held.

Electrohome has been running into some heavy weather, with net profits in 1959 expected to show a reduction of about 30% from the 1958 level. This estimate

based on results for the first 10 months, when sales were up slightly but net profit was reduced.

The year 1959 was devoted to consolidating operating position. The company looks for 1960 and 1961 to see a reversal of the downward trend in TV sales, with the growth of the replacement market and color TV. It looks to an improvement in sales of stereo hi-fi units, which have moved in greater volume than 1958 but less than expected.

General Steel Wares

Do you recommend an investment in common shares of General Steel Wares?
— F. N., Vancouver.

GSW common shares are a bet on the company's ability to move against the mounting tides of competition in the appliance and household-product seas. The company has been spreading its sails in recent years with the acquisition of Easy Washing Machine and National Presto Industries of Canada. This adds to its potential.

GSW received an injection of new blood with the acquisition of Easy personnel. And sales for 1959 were expected to increase notwithstanding the elimination of lines which had generated sales of \$3 million in 1958.

Officials did not expect 1959 profit to exceed 1958 but anticipated benefits from changes effected to produce profitable results in 1960 and the following years.

In Brief

Do you recommend North Rankin? — S. K., Quebec.

Highly speculative.

What accounts for United Keno advancing in 1959? — C. F., Halifax.

Silver production moved up sharply, boosting earnings.

Any improvement at Sherritt Gordon? — B. E., Ottawa.

No perceptible change.

What's the status of Advocate Mines? — B. J., Winnipeg.

Undertaking tests in the hope of production being achieved, and is obtaining promising results.

Is Dunvegan attractive? — P. H., Cornwall.

A wildcat of the rawest sort.

Is H. G. Young Mines a good buy? — R. W., London.

Only time will tell but it looks like a not unreasonable speculation.

What's the outlook for Western Mines? — D. V., Vancouver.

Would be improved if metal prices advanced.



*an important decision has been reached
... a family has grown stronger ...
and a new friendship has begun*

The Man from Manufacturers has just left this home. The talk was about the many responsibilities that affect the future: the family's welfare, the children's education, the peace of mind of financial security. And because it was a practical, helpful conversation "financial security" was spelled out in terms that gave it real meaning to a family.

If you, like this family, feel that the future does *not* look after itself, then the Man from Manufacturers is ready to help you. SERVICE . . . starting with the initial, wise counsel on what Life Insurance is best for you to own! SERVICE . . . carrying through to that certain day in the future when — thankfully — your foresight pays off!

Last year, more than 41,000 families bought this SERVICE. In purchasing \$468,707,080 of new insurance they helped to make 1959 the greatest year since the Company was established in 1887.

HERE ARE OTHER HIGHLIGHTS OF THE YEAR'S OPERATION

Paid to policyholders and their beneficiaries.....	\$ 54,688,481
Total protection in force.....	3,181,578,430
Total assets.....	887,608,454

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2-60

Insurance

by William Slater

Licensed Agents

Does every legitimate insurance salesman have to have a licence from the government before he can sell insurance in Ontario? What can I do if an insurance company rejects a claim? Does this mean I have to take legal action to have any chance of obtaining justice? N.P., London.

Every insurance salesman selling insurance in Ontario must have a license from the government. All life insurance agents have these. All fire and casualty agents have them also, but in addition to satisfying the examiners of their general good character, integrity, and education, they must also pass a written examination to show their proficiency and knowledge of the business.

When an insurance company rejects a claim it must have a good reason. You may have violated a statutory condition of the policy. But if you have a difference of opinion on the matter and believe you have a just claim you may go to the Department of Insurance at Queen's Park, Toronto, and submit the matter there. If they consider your claim a reasonable one they will get in touch with the company. It may of course be a conflict of evidence and if that is the case then the law may be the only possible arbitrator.

Boiler Inspection

An agent tells me that if I take out a boiler insurance policy on the heating boiler for my store and apartments above, which are rented, this will mean automatic inspection of the boiler by the insurer. Is it necessary to have the boiler inspected regularly? Would you advise this?—E.K., Windsor.

Definitely. If the hot water tank is over 24 inches in diameter the law says it must be subject to regular government inspection and the boiler insurance policy will meet this legal requirement. It is particularly important when you have tenants also.

May I suggest you consider some liability coverage on your premises and operations. Since you have a rental income from the apartments above the store a rentals insurance policy would also be advisable. This is similar in principle to business interruption insurance and is usually written for a stated period of days.

If a boiler explosion rendered the apartments untenable, for example, this coverage would protect you against loss of rental income.

Teen-Age Drivers

With everyone making it so difficult for teenagers to drive I would appreciate knowing how the teen group show up in the Ontario Government driver demerit figures.—Marty G., Toronto.

Surprisingly well as to percentage of the 692 drivers interviewed so far of the 1,910 who have accumulated six points. The 16-19 age group accounted for only 12% of this. 27% were in the 20-24 bracket; 29% in the 25-34 range; 18% in the 35-44 group; and 14% in 45 and over category. But that doesn't prove too much because the teenagers represent a comparatively small percentage of the total drivers. What does show up well is that only eight of the 692 interviewed were women. That seems to prove something.

Safety Features

You referred in a recent column to certain safety features of life insurance which can be utilized in emergency. While I am still a young man I am carrying a substantial life policy which will be fully paid up at age 50. I am concerned about my position if I was not able to maintain the premium payments through sickness or unemployment and I cannot afford to pay for more insurance. What would you suggest I do in such a difficulty.—A.R., Winnipeg.

You have three options. If the emergency was for a strictly limited period only, and you could rely on that, you could borrow against the cash value to maintain the premiums. The second option would be to continue the same amount of protection the face value calls for as term insurance for the period you have the paid-up value to pay for.

The third option and the one which I would recommend to you, would be to take a trade in a paid-up insurance policy for a lesser amount in place of the policy you now have if you were ever unable to meet the premium. By doing that you capitalize to the fullest possible extent on the premiums you have already paid in and you secure a paid-up policy which is

completely paid for and which will continue to produce dividends which can be reinvested in insurance. When the emergency is over you can build up your insurance coverage again.

Late Buyers

When I was a young man I could not afford to purchase an insurance policy. Now that I am middle-aged I am finally in a position to do so and am anxious to build up some life insurance estate. I believe premium payments come high in my age bracket. Have you any helpful suggestion?—D.M., Toronto.

See a Chartered Life Underwriter and give him all the details he needs to work out some possible plans that would meet your insurance needs. But I would also recommend you give some consideration to single purchase life insurance . . . to buying a policy outright for cash in whatever amount you can afford. You may be pleasantly surprised to find out what kind of a deal you can make on this and what it can mean to your estate.

Reaping Rewards

Have you any idea what results are being achieved in insurance and otherwise by the traffic safety, financial responsibility, and driver demerit programs on Ontario roads?—J.K., Huntsville.

It is early as yet to read results of the new programs. The recent announcement of lower 1960 auto premium rates for drivers in certain categories is an encouraging sign. One good thing about it is that the good drivers who are accident-free are getting some underwriting recognition at long last in what are substantial reductions in auto insurance rates. And there will be further developments of this trend.

Flying Stones

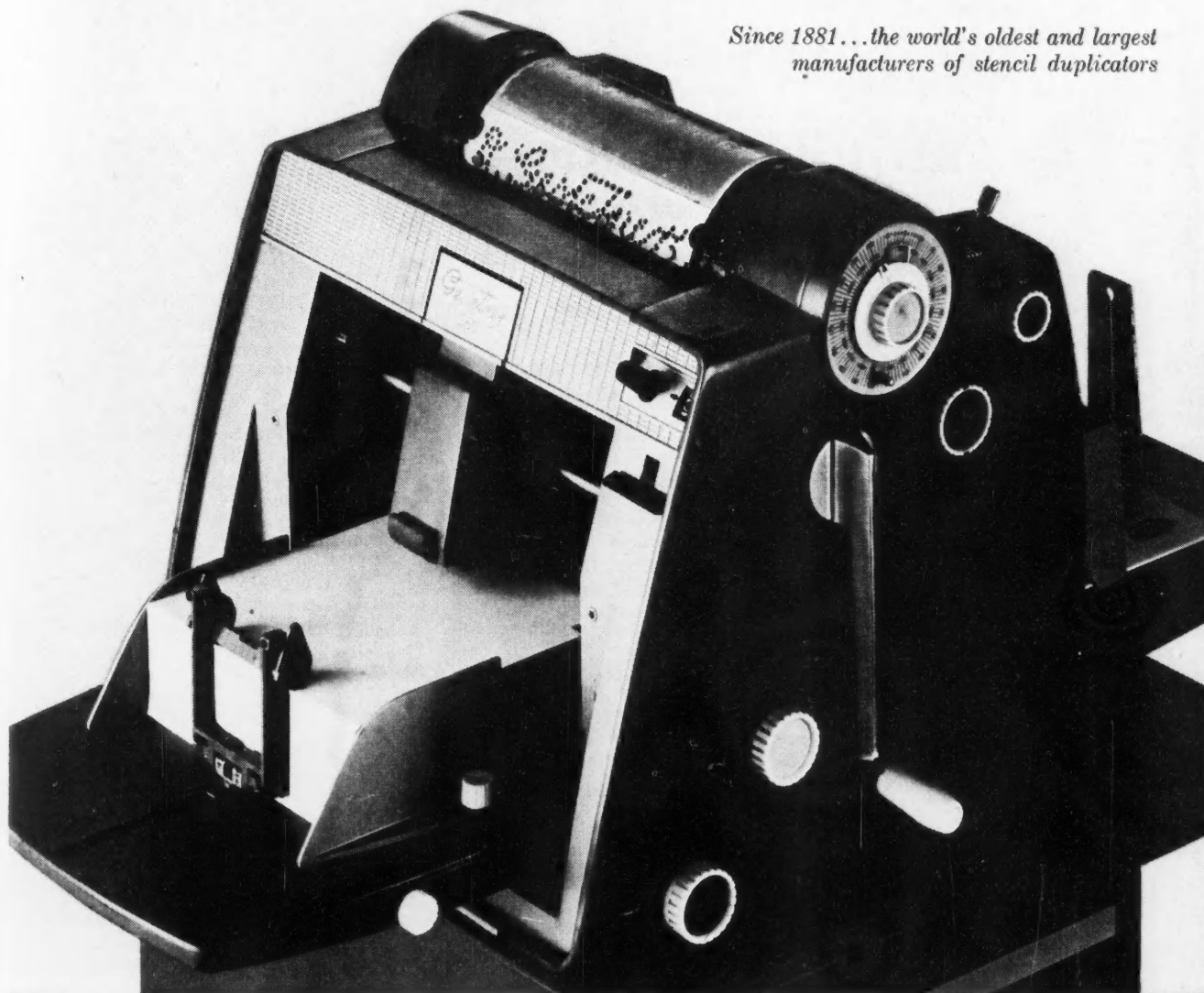
Have I a claim under comprehensive coverage if a stone flies up from the wheels of another car and damages my windshield? But will I penalize myself with an increased premium next year if I make a claim?—J.D., Hamilton.

Yes, you have a legitimate claim and the insurance underwriters will honor it. This claim will not affect your premium rating for next year's policy. Under the comprehensive coverage you may claim for any damage caused by hailstorm, lightning, riot and flood. For example, if your car had been submerged by Hurricane Hazel this coverage would have taken care of the damage. It is only claims that come under bodily injury, property damage and collision that may affect your premium rating.

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2-60

Point of View

The Intrinsic Qualities of Our Young

by Leslie Mellichamp

SO MUCH HAS BEEN said in criticism of today's youth that it seemed to me a search should be made for a few praiseworthy things that could be recorded in favor of this much-discussed minority. At a college prof, I naturally sought my evidence in my collection of student themes, thinking to find reflected there the intrinsic qualities of our young men and women. I was not disappointed.

I found frankness, a quality too often lacking in this politic age;

We received your letter of June 5 and have dully noted contents.

sturdy, durable sentiment;

I extend my hardest congratulations.

and impatient, uncheckable enthusiasm.

I am hopping to hear from you soon.

Imagination was there,

Although the fish was of great size, his story was credible.

The cured hay was raked into rows which ran around the field.

Going into Miami were mile after mile of beautiful motels.

and admiration for tenacity beyond the call of duty.

Even though a lot of the North's generals and commanders were killed, they still fought on. (No wonder the South lost!)

I found frank sociological insights

The increase in the birth rate of this nation clearly indicates that we are finding satisfaction in family life.

Tess d'Urbeville's expectancies were about those of any other common girl of her period.

as well as triumphant perspicacity.

I can plainly see where this book's name was derived because I could distinctly pick out the two cities Dickens was talking about, namely, London, England, and Paris, France.

There was good advice

Remember to be especially careful when you remove the firing-pin spring. You can easily lose an eye if you allow it to jump out suddenly.

and canny observations.

Girls, no doubt, will effect his grades.

A cliché is a phrase in English used by people that are worned out.

There were heartwarming stories of adult education—

After completion of the second grade, the folks decided to move again.

with attendant tragedy.

While in the sixth grade, my father died of a heart attack.

Trenchant criticism was there: of books,

I disliked *Gulliver's Travels* because the author does not make the story to interesting. The authors introduction is not to interesting and I think the introduction should be one of the interesting subjects of the book. I believe this because if the introduction is not interesting the reader would not want to read the book.

leading to strange situations;

Jean Valjean, while mayor, once removed the horsecart while stuck in the mud that had fallen on one of the townspeople, Frauchevent.

of the army,

The food of servicemen is invariably cooked in wholesale lots without any seasoning, and as hard as they try, the cooks cannot compare to mothers and wives.

leading to strange incognitos.

I resided on this base under the name of F. Lewis.

Always there was the courageous, fierce grappling with words, bending them, forcing them to convey meaning.

Anger may be define as when something is being bother by something else to the point where it lose its temperature and began to fight back at that objective.

Finally, there were the previews of that brave new world that our young, without flinching, look forward to—securer,

Postal money orders enable a customer to come in and acquire an order to protect himself from theft or being destroyed while on route to the receiver.

more highly cultivated,

The fertilizer industry is rapidly growing in the fields of technology and business.

and healthier.

Because of the small amount of vibration, the gas turbine will give its owner longer life, with less maintenance, practically silent operation, and a smokeless exhaust, free from obnoxious odors.

What more can we ask?

ANSWER TO PUZZLER

No. 288

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Here's a booklet that answers many
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You know how much a "home of your own" means to you. Perhaps you've been looking forward to it for a long time, as a dream that is going to come true "some day". If now it seems that "some day" can be soon, you're probably beginning to consider many of the problems involved in building or buying. You're looking for the answers to a lot of questions — financial, legal and many others. This booklet has been designed to help you. It gives you practical advice on these problems. It is a guide you will want.

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If you are thinking of building or buying, you'll want this new booklet, which has been produced with the cooperation of Central Mortgage and Housing Corporation and the National Home Builders Association. It covers such subjects as: Site-Location-Building-How to Finance-Cost and Size-Home-Lawyer-Landscaping-Taxes-Check List-Electrical Wiring-etc. For convenience in ordering you can use this coupon.

One sign of good value in a home is Crane plumbing fixtures. Whatever the type of home you choose, nothing is going to be more important than the plumbing. With CRANE, important right answer. Preferred Crane fixtures are available in a variety of styles and lovely colours: Ivory, Turquoise, Sky Blue, Pale Gold, Citrus Yellow, Shell Pink, Sun Tan, French Grey, as well as White.

CRANE LIMITED chooses Canadian magazines

The prime market for Crane's beautiful coloured fixtures is in all new home construction. Mr. J. D. Webb tells why his company embarked on the current campaign designed to help builders sell more homes by making the prospective home owner aware of the advantages of home ownership, and why his company chose Canadian magazines to carry this promotion.

When Crane Limited designed a promotion to tell prospective home owners the advantages of home ownership, and thus stimulate the sale of the 150,000 homes being built this year... experience told us there was no better way to reach this selective audience than through the Canadian magazines.

"Years of consistent advertising in Canadian magazines have proved to Crane the important influence of these books in the home. They offer the right background in which to present our sales message to homebuilders and home owners, and have helped to establish firmly the quality and desirability of Crane products in the public mind."



J. D. Webb Manager, Advertising Department,
CRANE LIMITED.

As in the case of many other leading manufacturers, Crane Limited has consistently used Canadian magazines to build the quality image of its products. No other medium combines so many effective factors... nation-wide influence... leisurely reading... long life... fine colour reproduction... and magazines reach the able-to-buy homes at relatively low cost. Consult your magazine representatives, or write to us.

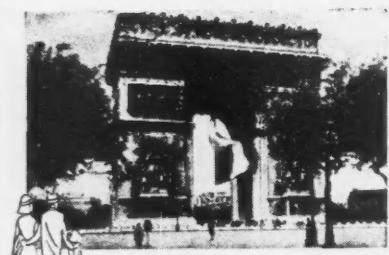
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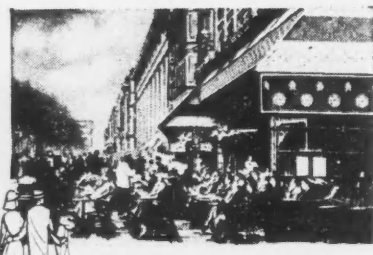
THE MAGAZINE ADVERTISING BUREAU OF CANADA

21 Dundas Square, Toronto, Canada


Imagine "Touring" FRANCE for only 10¢



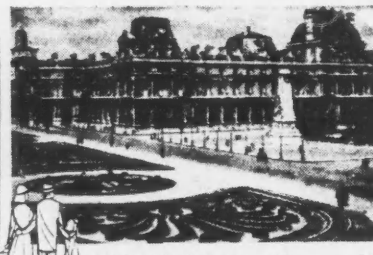
YOU marvel at the Arch of Triumph. Planned by Napoleon, this enormous monument marks an Unknown Soldier's grave.



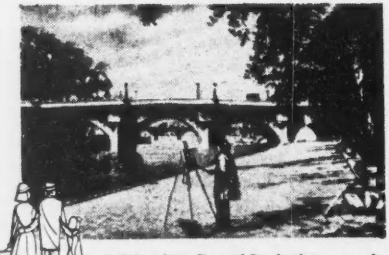
YOU stroll along the magnificent tree-lined Champs Elysées, and visit favorite haunts like this charming sidewalk cafe.



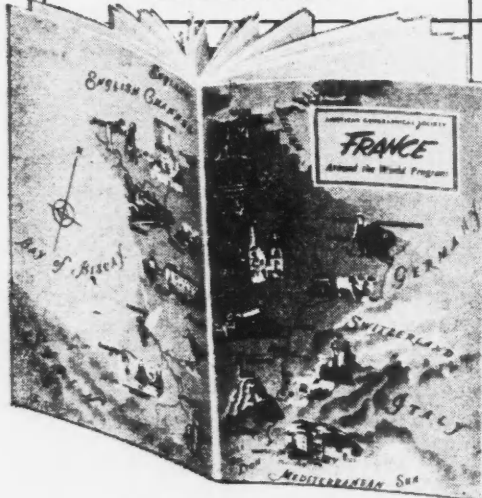
YOU bask in the sun of the French Riviera, fabulous playground of glittering celebrities, royalty, and fun-loving millionaires.



YOU visit the Louvre. Now a world-famous art museum, it was originally a fortress, and later served as a palace of kings.



YOU view Pont Neuf, the most famous bridge in Paris for over 350 years. Completed in 1606, it had the only sidewalks in the city.



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Our Fascinating World

How You "Visit" a Different Land Each Month

Each month you receive a set of full-color photographs and an informative illustrated guidebook album with spaces for mounting the color prints. By means of these prints and albums, you and your family "visit" a different country every month. You explore the country's famous landmarks and natural wonders;

go sightseeing in strange cities. In quaint villages you observe native costumes and crafts. An expert on the region spins stories of great battles, national heroes, legends.

Here is a wonderful hobby for the whole family. It will give children a tremendous advantage not only in school, but in later life, too!

MAIL SHIPPING LABEL NOW with only 10¢ for the demonstration kit. No obligation. But if you are delighted and wish to continue, you pay only \$1 for each month's "tour"; you may cancel at any time. **AMERICAN GEOGRAPHICAL SOCIETY'S Around the World Program, Dept. 1, SN, 105 Bond St., Toronto 2.**

Here's the \$3.00 Value for Only 10¢

- 1 25 breathtaking FULL - COLOR prints of France's most fascinating sights.
- 2 The album on France in which to mount your pictures, plus informative text.
- 3 A giant MAP OF THE WORLD in beautiful color. Opens up to 3 1/2 feet wide! Retail value \$2.00.



If you decide to continue, you will receive Free a beautiful album case, large enough to hold a number of albums.

Tear Out and Mail This Entire SHIPPING LABEL

Postmaster: This parcel may be opened for postal inspection. It contains 25 Full-Color Prints; Illustrated Guide-book-Album on France, and a Wall Map of the World.

**American Geographical Society's
Around the World Program
Dept. 1, SN, 105 Bond St., Toronto 2.**

TO: Your Name..... (PLEASE PRINT)
Address.....
City.....Zone.....Province.....W27C

(Same offer to U. S. residents: Address Garden City, N. Y. Offer good only in Canada and U.S.A.)

Terms of this offer:

1 - You will send me the sample package described here to keep for only 10¢.

2 - If I do not wish to continue after examining this package, I will simply notify you.

3 - If I do decide to continue, I understand you will send me an album and color-print set each month for only \$1 plus few cents shipping. Later, you will send me a library case for my albums.

4 - I need not take any specific number of albums and may resign at any time.

...DO NOT DETACH (For Office Use Only)...

